

**JOHN HOWARD SOCIETY OF
PEEL-HALTON-DUFFERIN**

FINANCIAL STATEMENTS

MARCH 31, 2018



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of John Howard Society of Peel-Halton-Dufferin

We have audited the accompanying financial statements of John Howard Society of Peel-Halton-Dufferin, which comprise the statement of financial position as at March 31, 2018, and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

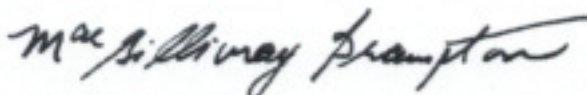
In common with many charitable organizations, the Society derives part of its revenue from the general public in the form of donations and memberships, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to accounting for the amounts recorded in the records of the Society and we were unable to determine whether any adjustments might be necessary for the fiscal years ended March 31, 2018 and March 31, 2017 with regards to donation and membership revenues, excess of revenue over expenditures, assets and fund balances.

INDEPENDENT AUDITORS' REPORT, continued

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of John Howard Society of Peel-Halton-Dufferin as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Mississauga, Ontario
June 14, 2018



CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2018

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	Operating Fund 2018	Reserve Fund 2018	Capital Fund 2018	March 31 2018 Total	March 31 2017 (Note 11)
ASSETS					
Current					
Cash	\$ 737,497	\$ 12,754	\$ -	\$ 750,251	\$ 1,584,097
Accounts receivable	16,852	-	-	16,852	30,669
Government remittances recoverable	41,828	-	-	41,828	54,688
Marketable securities (Note 4)	-	863,968	-	863,968	119,978
Prepaid expenses	53,262	-	-	53,262	55,454
	<u>849,439</u>	<u>876,722</u>	<u>-</u>	<u>1,726,161</u>	<u>1,844,886</u>
Property and equipment (Note 5)	-	-	128,420	128,420	101,849
Intangible assets (Note 6)	-	-	7,896	7,896	6,650
	<u>\$ 849,439</u>	<u>\$ 876,722</u>	<u>\$ 136,316</u>	<u>\$ 1,862,477</u>	<u>\$ 1,953,385</u>

See accompanying Notes to the financial statements



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2018

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	Operating Fund 2018	Reserve Fund 2018	Capital Fund 2018	March 31 2018 Total	March 31 2017 (Note 11)
LIABILITIES					
Current					
Accounts payable	\$ 137,788	\$ -	\$ -	\$ 137,788	\$ 177,247
Due to (from) other funds	430,332	163,274	(593,606)	-	-
Deferred revenue (Note 7)	281,319	-	-	281,319	202,843
Deferred contributions related to property and equipment	-	-	28,685	28,685	48,826
	<u>849,439</u>	<u>163,274</u>	<u>(564,921)</u>	<u>447,792</u>	<u>428,916</u>
COMMITMENTS & CONTINGENCY (Notes 8 & 9)					
FUND BALANCES (Note 2 & 10)					
Equipment and IT reserve	-	135,997	-	135,997	265,724
Personnel policy and stabilization reserve	-	577,451	-	577,451	275,466
Surplus	-	-	701,237	701,237	983,279
	<u>-</u>	<u>713,448</u>	<u>701,237</u>	<u>1,414,685</u>	<u>1,524,469</u>
	<u>\$ 849,439</u>	<u>\$ 876,722</u>	<u>\$ 136,316</u>	<u>\$ 1,862,477</u>	<u>\$ 1,953,385</u>

Approved on behalf of the board

Director *Kath Gillett*

Director *Bruce L. King*

See accompanying Notes to the financial statements



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2018

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	Operating Fund	Reserve Fund	Capital Fund	Total 2018	Total 2017 (Note 11)
Revenue (Note 7)					
Service Canada	\$ 13,888	\$ -	\$ -	\$ 13,888	\$ 10,841
Ministry of Advanced Education and Skills Development					
Youth Job Link	28,050	-	-	28,050	29,250
Employment Services	661,654	-	-	661,654	731,249
Canada-Ontario Job Grant	-	-	-	-	39,182
Ministry of the Attorney General					
Bail Verification and Supervision	992,373	-	-	992,373	877,618
Youth Justice Committee	41,625	-	-	41,625	40,780
Direct Accountability	56,700	-	-	56,700	55,144
Ministry of Children and Youth Services	274,148	-	-	274,148	294,365
Ministry of Community Safety and Correctional Services	26,234	-	-	26,234	2,506
Region of Peel	253,968	-	-	253,968	318,050
Halton Region	22,527	-	-	22,527	31,878
United Way	216,900	-	-	216,900	208,900
Mississauga Community Foundation	10,081	-	-	10,081	-
Brampton and Caledon Community Foundation	2,000	-	-	2,000	1,119
Ontario Trillium Foundation	231,763	-	-	231,763	52,902
Jarden Community Fund	-	-	-	-	1,326
Fees for services	5,590	-	-	5,590	10,715
Memberships and Donations	10,712	-	-	10,712	11,048
Investment (loss) income	-	(14,878)	-	(14,878)	24,419
Rental income	45,650	-	-	45,650	18,350
Catholic Family Services	33,711	-	-	33,711	31,092
Deferred contributions recognized	-	-	20,141	20,141	22,069
Other income	21,341	-	-	21,341	27,928
	<u>2,948,915</u>	<u>(14,878)</u>	<u>20,141</u>	<u>2,954,178</u>	<u>2,840,731</u>

See accompanying Notes to the financial statements





JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2018

	Operating Fund	Reserve Fund	Capital Fund	Total 2018	Total 2017 (Note 11)
Expenditures					
Salaries	1,833,616	-	-	1,833,616	1,544,412
Employee benefits and HR costs	332,648	14,142	-	346,790	331,752
Travel and conference expenses	65,691	-	-	65,691	95,209
Occupancy costs	347,106	-	-	347,106	363,997
Administration expenses	104,450	25,527	-	129,977	104,298
Professional fees	35,377	-	-	35,377	41,102
Service and program expenses	113,166	-	-	113,166	107,766
Project costs	12,107	-	-	12,107	3,107
Employer supports	73,194	-	-	73,194	169,557
Amortization of property and equipment	-	-	64,013	64,013	43,696
Information management expenses	6,321	-	-	6,321	-
Amortization of intangible assets	-	-	2,390	2,390	1,662
Renovation and relocation expenses	-	34,214	-	34,214	11,165
	<u>2,923,676</u>	<u>73,883</u>	<u>66,403</u>	<u>3,063,962</u>	<u>2,817,723</u>
Excess (deficiency), before appropriations	25,239	(88,761)	(46,262)	(109,784)	23,008
Appropriations	(25,239)	261,019	(235,780)	-	-
Fund balance, beginning of year	-	541,190	983,279	1,524,469	1,501,461
Fund balance, end of year	<u>\$ -</u>	<u>\$ 713,448</u>	<u>\$ 701,237</u>	<u>\$ 1,414,685</u>	<u>\$ 1,524,469</u>

See accompanying Notes to the financial statements

JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2018

	Operating Fund	Reserve Fund	Capital Fund	Total 2018	Total 2017
Cash flows from operating activities					
Excess (deficiency) of expenditures over revenue	\$ 25,239	\$ (88,761)	\$ (46,262)	\$ (109,784)	\$ 23,008
Adjustments for					
Amortization of property and equipment	-	-	64,013	64,013	43,696
Amortization of intangible assets	-	-	2,390	2,390	1,662
Losses (gains) in fair value of marketable securities	-	19,156	-	19,156	(11,452)
	<u>25,239</u>	<u>(69,605)</u>	<u>20,141</u>	<u>(24,225)</u>	<u>56,914</u>
Change in non-cash working capital items					
Accounts receivable	13,817	-	-	13,817	20,699
Prepaid expenses	2,192	-	-	2,192	(5,764)
Accounts payable	(39,459)	-	-	(39,459)	(16,544)
Government remittances	12,860	-	-	12,860	(8,072)
Due to (from) other funds	430,332	163,274	(593,606)	-	-
Deferred revenue	78,476	-	(20,141)	58,335	(24,647)
	<u>523,457</u>	<u>93,669</u>	<u>(593,606)</u>	<u>23,520</u>	<u>22,586</u>
Cash flows from investing activities					
Purchase of property and equipment	-	-	(90,584)	(90,584)	(92,271)
Purchase of intangible assets	-	-	(3,636)	(3,636)	(8,312)
Purchase of marketable securities	-	(827,760)	-	(827,760)	-
Proceeds on disposition of marketable securities	-	64,614	-	64,614	-
	<u>-</u>	<u>(763,146)</u>	<u>(94,220)</u>	<u>(857,366)</u>	<u>(100,583)</u>
Cash flows from financing activities					
Appropriations	(25,239)	261,019	(235,780)	-	-
Increase (decrease) in cash	498,218	(408,458)	(923,606)	(833,846)	(77,997)
Cash, beginning of year	239,279	421,212	923,606	1,584,097	1,662,094
Cash, end of year	<u>\$ 737,497</u>	<u>\$ 12,754</u>	<u>\$ -</u>	<u>\$ 750,251</u>	<u>\$ 1,584,097</u>

See accompanying Notes to the financial statements



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

1. PURPOSE OF ORGANIZATION

John Howard Society of Peel-Halton-Dufferin was incorporated on January 30, 1996 and as of November 5, 2005 became the John Howard Society of Peel-Halton-Dufferin, a corporation without share capital that is a registered charity under paragraph 149(1)(f) of the Income Tax Act. The Society is an affiliate of the John Howard Society of Ontario. The society's mission is to prevent crime through research, community education, and the promotion of systemic change and restorative services to individuals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies adopted by the Organization are as follows:

(a) Financial statement presentation

These general purpose financial statements include the assets, liabilities, revenue and expenditures of all of the programs and operations of the John Howard Society of Peel-Halton-Dufferin.

(b) Fund accounting

The Society follows the deferral method of accounting for contributions which includes grants and donations. Contributions for property and equipment are included as deferred contributions and are amortized to revenue at the same rate and on the same basis as amortization of the related property and equipment.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Organization's funds have been classified as follows:

Operating Fund

Day-to-day operations are recorded in the Operating Fund. This includes the revenues from Ministry programs and donations, and expenses related to salaries, administration and occupancy.

Reserve Fund

The Reserve Fund reports amounts that have been set aside in reserve for specific purposes by the Board of Directors. During the year, the Society's Board of Director's approved the consolidation of the existing reserves into two reserves, as follows:

(i) Equipment and IT Reserve - this reserve provides for future equipment and software replacements and repairs. This reserve is the consolidation of the previous Equipment Replacement Reserve and Information Management Reserve.



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(b) Fund accounting, continued

(ii) Personnel Policy and Stabilization Reserve - this reserve ensures the continued service delivery at times of funding shortfalls, provides for any liabilities arising from the Society's personnel policies, and provides and maintains property and leasehold improvements and commitments for the Society's locations. This reserve is the consolidation of the previous Service Stabilization Reserve, Personnel Policy Reserve, and Contingency Reserve.

Capital Fund

The Capital Fund includes all the activity throughout the year that is associated with the Society's capital expenditures as well as related liabilities.

(c) Property and equipment

Property and equipment are recorded at cost. The Society provides for amortization over their estimated useful lives on a straight-line basis. The estimated useful lives of the assets are as follows:

Equipment	3 years
Furniture	10 years
Leasehold improvements	5 years

(d) Intangible assets

Intangible assets are recorded at cost. The Society provides for amortization using the straight-line method at rates designed to amortize the cost of the intangible assets over their estimated useful lives. The annual amortization rates are as follows:

Web application	5 years
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(e) Revenue recognition

The Society uses the deferral method of accounting for contributions whereby restricted funding and donations related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Unrestricted donations and contributions along with investment income not required to be paid back to funders are reported as revenue of the current period.

(f) Contributed services

Volunteers contributed time to assist the Society in carrying out various programs. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Balances that are subject to estimates are accounts receivable, property and equipment and deferred revenue.

(h) Marketable securities

The portfolio of marketable securities are measured at fair value. The related changes in fair value of the portfolio of marketable securities are reported in the statement of operations. Fair value is determined using market rates on the active market.

3. FINANCIAL INSTRUMENTS

Market risk

As at March 31, 2018, the Society holds \$863,968 in marketable securities that are exposed to market risk which could result in changes in their fair value and future cash flows.

Interest Rate, Currency and Credit Risks

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. Management believes the exposure to these risks has not changed in the past year.

4. MARKETABLE SECURITIES

Marketable securities as presented on the Statement of Financial Position consist of:

	2018	2017
Mutual funds	\$ 393,386	\$ -
Equities	<u>470,582</u>	<u>119,978</u>
	<u>\$ 863,968</u>	<u>\$ 119,978</u>



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

5. PROPERTY AND EQUIPMENT

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>Net 2018</i>	<i>Net 2017</i>
Leasehold improvements	\$ 367,135	\$ 287,392	\$ 79,743	\$ 63,200
Equipment	538,665	495,069	43,596	35,023
Furniture	114,855	109,774	5,081	3,626
	<u>\$ 1,020,655</u>	<u>\$ 892,235</u>	<u>\$ 128,420</u>	<u>\$ 101,849</u>

6. INTANGIBLE ASSETS

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>Net 2018</i>	<i>Net 2017</i>
Web application	<u>\$ 11,948</u>	<u>\$ 2,390</u>	<u>\$ 7,896</u>	<u>\$ 6,650</u>

7. REVENUE RECONCILIATION

The property and equipment of the Society are capitalized and expensed by way of amortization over the assets' useful life as per Note 2, to comply with Canadian accounting standards for not-for-profit organizations. This results in a difference between actual funding and expenditures versus those disclosed on these financial statements.

Similarly, some funding relating to future periods has been set up as a deferred revenue as per Note 2. This also results in a difference between actual funding and expenditures versus those disclosed on these financial statements. The amounts repayable to the respective Ministries have been reduced from current revenues and shown in accounts payable.

Revenue recognized from various funding agencies can be reconciled to actual cash payments received during the year as follows:

(a) Ministry of Advanced Education and Skills Development - general funding

The Ministry of Advanced Education and Skills Development confirmed payment of \$670,304 in funding related to the Employment Services program. Of this funding, \$4,091 was applied against accounts receivable related to the prior year. Of the remaining funding, \$4,559 has been deferred at the end of the current year. Total revenue recognized in the year is \$661,654.

The Society received \$29,250 in cash for the Youth Job Link program, of which \$28,050 was recorded in revenue in the current year. The remaining \$1,200 in funding was set up as deferred as at current year-end.

(b) Ministry of Attorney General

The Ministry confirmed payment of \$992,373 for the Bail Verification and Supervision Service Program, all of which was recognized as revenue in the current year.

The Ministry also confirmed payment of \$40,780 for the Youth Justice Committee program during the year, all of which was recognized in revenue. Funding deferred at the end of 2017 of \$845 was also recognized in revenue in the current year.



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

7. REVENUE RECONCILIATION, continued

The Society also received \$55,124 for the Direct Accountability program during the year. This, along with \$1,576 that was deferred at the end of the 2017 year, was recognized in revenue in the current year.

(c) Region of Peel

During the year the Society received \$85,000 in cash from the Region of Peel for Sustainability funding, of which \$66,441 has been deferred. Further, the \$60,980 that was deferred in the previous year was recognized as revenue in the current year.

The Society also received \$18,750 for the Patch program, all of which has been recognized in revenue. Of the \$59,427 deferred at the end of the prior year, \$2,795 was recognized in revenue in the current year. The remaining \$56,632 has been deferred at the end of 2018 for repayment back to the Region.

During the year the Society received \$99,424 in funding for a Homelessness Partnering Strategy program, of which \$5,096 was deferred at year-end. The remainder was recognized as revenue in the current year.

The Society also received \$72,827 in funding for a new Home For Good program, of which \$22,271 was deferred at year-end. The remainder was recognized in revenue in the current year.

During the year the Society received \$8,000 in funding for the Needle Exchange program, all of which was recognized as revenue in the current year.

Several Region of Peel contracts that began in the 2018 fiscal year included promissory note conditions. Refer to note 9 for further details.

(d) Ministry of Children and Youth Services

The Ministry confirmed payment of \$281,208 during the year, which included one-time funding of \$1,843 to support changes to the *Fair Workplaces, Better Jobs Act, 2017*. One-time funding was recorded in revenue as part of Other Income. Of the remaining funding, \$5,217 was deferred at year-end along with the existing \$1,065 in funding deferred at the end of 2017. \$274,148 was recognized as revenue in the year.

(e) Ontario Trillium Foundation

The Foundation provided \$250,000 in funding for the Patch program in the current year, of which \$90,335 has been deferred at year-end. The remaining amount was recognized in revenue in the 2018 year, along with the \$72,098 of funding that had been deferred at the end of 2017.

The changes in deferred revenue are as follows:

	2018	2017
Deferred revenue, beginning of year	\$ 202,843	\$ 241,814
Less amount recognized as revenue during the year	(166,336)	(165,842)
Less amount used to purchase capital assets	-	(16,391)
Add amount received related to next year	244,812	143,262
	<u>\$ 281,319</u>	<u>\$ 202,843</u>



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

8. COMMITMENTS

The Society has the following annual operating lease commitments with respect to premises:

2019	\$ 264,048
2020	206,521
2021	159,024
2022	154,598
2023	82,245
	<u>\$ 866,436</u>

Some of the facility lease agreements have cancellation provisions with required lead times of three to twelve months in the event of a loss of funding for programs operated out of those facilities.

9. CONTINGENCY

As part of the funding agreements with the Region of Peel, the Society has entered into a promissory note agreement for a total of \$220,000 as at year-end. This amount is due on demand by the Region, should the Society be found to be in breach of spending allocations under the agreements. Given there is no indication the Society is spending outside the limits of the Region of Peel agreements, no provision has been recorded for the amount of the promissory note.

10. CHANGE IN RESERVES

	<i>Equipment and IT reserve</i>	<i>Personnel policy and stabilization reserve</i>
Beginning balance	\$ 265,724	\$ 275,466
Investment loss	-	(14,878)
Disbursements	(40,967)	(32,916)
Appropriations	(88,760)	349,779
Ending balance	<u>\$ 135,997</u>	<u>\$ 577,451</u>

The existing reserves were consolidated in the current year as outlined in note 2.

11. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform with the financial statement presentation adopted in the current year.

