



# JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

## FINANCIAL STATEMENTS

MARCH 31, 2020

JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

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## INDEPENDENT AUDITOR'S REPORT

To the Members of John Howard Society of Peel-Halton-Dufferin

### *Report on the Audit of the Financial Statements*

#### *Opinion*

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, 2020, and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of John Howard Society of Peel-Halton-Dufferin as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### *Basis of Opinion*

The John Howard Society of Peel-Halton-Dufferin 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 John Howard Society of Peel-Halton-Dufferin and we were unable to determine whether any adjustments might be necessary for the fiscal year ended March 31, 2020 with regards to donation and membership revenues, excess of expenditures over revenue, assets and fund balances.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

September 21, 2020

*Sloan Partners LLP*  
Chartered Professional Accountants  
Licensed Public Accountants

**JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN  
STATEMENT OF FINANCIAL POSITION**

As at March 31	Operating Fund	Reserve Fund	Capital Fund	Total 2020	2019
<b>ASSETS</b>					
Current					
Cash and cash equivalents	\$ 138,245	\$ 64,987	\$ -	\$ 203,232	\$ 494,301
Accounts receivable	164,206	-	-	164,206	52,445
Government remittances recoverable	26,203	-	-	26,203	7,959
Marketable securities (Note 3)	-	422,401	-	422,401	511,173
Prepaid expenses	55,440	-	-	55,440	47,331
	384,094	487,388	-	871,482	1,113,209
Capital Assets (Note 4)	-	-	1,367,486	1,367,486	1,435,211
Intangible asset (Note 5)	-	-	18,295	18,295	5,507
	<u>\$ 384,094</u>	<u>\$ 487,388</u>	<u>\$ 1,385,781</u>	<u>\$ 2,257,263</u>	<u>\$ 2,553,927</u>
<b>LIABILITIES</b>					
Current					
Accounts payable and accrued liabilities	\$ 205,242	\$ -	\$ -	\$ 205,242	\$ 145,124
Deferred revenue (Note 6)	165,110	-	-	165,110	263,995
Deferred contributions related to capital assets	-	-	-	-	12,858
Current portion of mortgage payable (Note 7)	-	-	741,000	741,000	776,750
	370,352	-	741,000	1,111,352	1,198,727
<b>COMMITMENTS (Note 8)</b>					
<b>FUND BALANCES (Note 2 &amp; 11)</b>					
Equipment and IT reserve	-	129,682	-	129,682	129,682
Personnel policy and stabilization reserve	-	357,706	-	357,706	574,408
Surplus	13,742	-	644,781	658,523	651,110
	<u>\$ 384,094</u>	<u>\$ 487,388</u>	<u>\$ 1,385,781</u>	<u>\$ 2,257,263</u>	<u>\$ 2,553,927</u>

Approved by:

Director: Keith Gilbert

Director: Pauline Weir Wright

**JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**

Year ended March 31	Operating Fund	Reserve Fund	Capital Fund	2020	2019
<b>REVENUE (Note 6)</b>					
Service Canada	\$ 8,658	\$ -	\$ -	\$ 8,658	\$ 15,180
Ministry of Training, Colleges and Universities					
Youth Job Link	-			-	29,900
Employment services	660,594	-	-	660,594	663,984
Employing Young Talent Incentive	20,050	-	-	20,050	51,512
Ministry of the Attorney General					
Bail verification and supervision	1,022,490	-	-	1,022,490	1,022,490
Youth Justice Committee	41,625	-	-	41,625	41,625
Direct accountability	58,000	-	-	58,000	54,186
Ministry of Children and Youth Services	279,360	-	-	279,360	279,355
Region of Peel	348,139	-	-	348,139	314,869
Halton Region	40,888	-	-	40,888	20,848
United Way	214,400	-	-	214,400	214,400
Mississauga Community Foundation	-	-	-	-	3,217
Ontario Trillium Foundation	189,522	-	-	189,522	250,000
Fees for services	7,832	-	-	7,832	11,734
Membership and donations	7,857	-	-	7,857	10,852
Investment income (loss)	19	(38,104)	-	(38,085)	53,194
Rental income	63,093	-	-	63,093	42,100
Catholic Family Services	25,070	-	-	25,070	41,078
Deferred contributions recognized	-	-	12,858	12,858	15,827
Other income	19,393	-	-	19,393	19,334
	<u>3,006,990</u>	<u>(38,104)</u>	<u>12,858</u>	<u>2,981,744</u>	<u>3,155,685</u>
<b>EXPENDITURES</b>					
Salaries	1,781,985	-	-	1,781,985	1,940,818
Occupancy costs	356,654	-	-	356,654	345,231
Employee benefits and HR costs	321,643	37,500	-	359,143	350,621
Professional fees	149,351	-	-	149,351	42,023
Administration expenses	129,921	6,861	-	136,782	151,415
Service and program expenses	95,091	-	-	95,091	97,332
Employer supports	86,859	-	-	86,859	118,892
Travel and conference expense	83,342	-	-	83,342	94,761
Renovation and relocation expenses	-	26,612	-	26,612	-
Project costs	120	-	-	120	3,360
Interest on mortgage payable	-	-	37,190	37,190	4,124
Amortization of intangible asset	-	-	6,184	6,184	2,390
Amortization of capital assets	-	-	71,720	71,720	64,203
	<u>3,004,966</u>	<u>70,973</u>	<u>115,094</u>	<u>3,191,033</u>	<u>3,215,170</u>
<b>DEFICIENCY BEFORE APPROPRIATIONS</b>	2,024	(109,077)	(102,236)	(209,289)	(59,485)
<b>APPROPRIATIONS</b>	11,718	(107,625)	95,907	-	-
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	704,090	651,110	1,355,200	1,414,685
<b>FUND BALANCE, END OF YEAR</b>	<u>13,742</u>	<u>487,388</u>	<u>644,781</u>	<u>1,145,911</u>	<u>\$ 1,355,200</u>

See accompanying notes to the financial statements

**JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN**  
**STATEMENT OF CASH FLOWS**

<b>Year ended March 31</b>	<b>2020</b>	<b>2019</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (209,289)	\$ (59,485)
Items not affecting cash:		
Amortization of intangible asset	6,184	2,390
Amortization	71,720	64,203
Loss (Gain) sale of marketable securities	10,456	(4,528)
Losses (Gains) in fair value of marketable securities	38,911	(31,319)
Changes in non-cash working capital:		
Accounts receivable	(111,761)	(35,593)
Prepaid expenses and other current assets	(8,109)	5,931
Accounts payable and accrued liabilities	60,118	7,336
Deferred revenue	(98,885)	(33,151)
Deferred contributions related to capital assets	(12,858)	-
Government remittances	(18,244)	33,869
Net cash used in operating activities	<u>(271,757)</u>	<u>(50,347)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	(3,995)	(1,370,995)
Purchase of intangible assets	(18,972)	-
Purchase of marketable securities	-	(15,000)
Proceeds from sale of marketable securities	39,405	403,642
Net cash provided by (used in) investing activities	<u>16,438</u>	<u>(982,353)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Deposit of mortgage funds	-	780,000
Repayments of mortgage	(35,750)	(3,250)
Net cash (used in) provided by financing activities	<u>(35,750)</u>	<u>776,750</u>
<b>NET DECREASE IN CASH</b>	<b>(291,069)</b>	<b>(255,950)</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<b>494,301</b>	<b>750,251</b>
<b>CASH AT THE END OF THE YEAR</b>	<b>\$ 203,232</b>	<b>\$ 494,301</b>

**JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2020**

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**1. NATURE OF BUSINESS**

John Howard Society of Peel-Halton-Dufferin ("the Society") 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 Society 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 capital assets are included as deferred contributions and are amortized to revenue at the same rate and on the same basis as amortization of the related capital assets.

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.



**JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Reserve Fund

The Reserve Fund reports amounts that have been set aside in reserve for specific purposes by the Board of Directors, as follows:

(i) Equipment and IT Reserve - this reserve provides for future equipment and software replacements and repairs.

(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.

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) Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided at rates intended to write-off assets over their estimated productive lives as follows:

	<u>Rate</u>	<u>Method</u>
Building	30 years	straight-line
Equipment	3 years	straight-line
Furniture and fixtures	10 years	straight-line
Leasehold improvements	5 years	straight-line

**JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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:

	<u>Rate</u>	<u>Method</u>
Web application	5 years	straight-line

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.

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, capital assets 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.

**JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN**  
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**3. MARKETABLE SECURITIES**

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

	2020	2019
Equities	\$ 422,401	\$ 511,173

**4. CAPITAL ASSETS**

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Land	\$ 543,977	\$ -	\$ 543,977	\$ 543,977
Building	815,966	29,465	786,501	813,699
Leasehold improvements	367,135	340,398	26,737	51,987
Equipment	551,508	546,630	4,878	21,302
Furniture and fixtures	117,058	111,665	5,393	4,246
	\$ 2,395,644	\$ 1,028,158	\$ 1,367,486	\$ 1,435,211

**5. INTANGIBLE ASSETS**

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Web application	\$ 30,921	\$ 12,626	\$ 18,295	\$ 5,507
	\$ 30,921	\$ 12,626	\$ 18,295	\$ 5,507

**JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. 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 funding sources have been reduced from current revenues and shown in deferred revenue.

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

a) Ministry of Training, Colleges and Universities - general funding

During the year the Society received \$624,065 in cash and recorded \$60,687 in accounts receivable from the Ministry of Training, Colleges and Universities in relation to its Employment Services and Employing Young Talent Incentive program. Funding deferred at the end of 2019 of \$742 was adjusted in the total funding received from the Ministry in the current year. Balance in deferred revenue at the end of 2020 fiscal year is \$4,108. Total revenue recognized in the current year is \$680,644.

b) Ministry of Attorney General

The Ministry confirmed payment of \$1,022,490 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 \$41,625 for the Youth Justice Committee program during the year, all of which was recognized in revenue.

The Society also received \$55,186 for the Direct Accountability program during the year, and had a prior year deferred balance of \$2,814, all of which was recognized in revenue.

**JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. REVENUE RECONCILIATION (CONTINUED)**

c) Region of Peel

During the year the Society received \$50,000 in cash from the Region of Peel for Core funding, of which \$25,000 has been deferred. The Society also received \$21,600 cash for Small Capital funding, all of which was recognized in revenue. Further, the \$63,750 for Sustainability funding that was deferred in the previous year was recognized as revenue in the current year for total revenue recognized of \$110,350.

The Society also received \$229,789 in funding for the Home For Good program, all of which was recognized in revenue. Balance in deferred revenue related to prior years' funding after returning \$5,238 to Region of Peel is \$22,271.

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.

Balances in deferred revenue related to prior years' funding with no change include \$56,068 for the Peel Alternatives to Choosing Hospitalization program and \$5,096 for the Homelessness Partnering Strategy program.

d) Ministry of Children and Youth Services

The Ministry confirmed payment of \$274,148 during the year, all of which was recognized in revenue. \$5,212 was also recognized as revenue in the 2020 fiscal year from the deferred balance from prior year. \$279,360 was recognized as revenue in the 2020 fiscal year.

e) Ontario Trillium Foundation

The Foundation provided \$103,000 in funding for the Patch program in the current year, of which \$3,813 has been deferred at year-end. The prior year deferral of \$90,335 was also recognized in revenue in the 2020 fiscal year.

**JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN**  
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**6. REVENUE RECONCILIATION (CONTINUED)**

The changes in deferred revenue are as follows:

	2020	2019
Deferred revenue, beginning of year	\$ 263,995	\$ 281,319
Less amount recognized as revenue during the year	(158,740)	(188,233)
Less amount returned during the year	(5,238)	-
Add amount received related to next year	65,093	170,909
Balance, end of the year	\$ 165,110	\$ 263,995

**7. MORTGAGE PAYABLE**

	2020	2019
Mortgage repayable on demand at the Bank of Montreal's discretion, and otherwise by monthly payments of \$3,250 plus interest at prime plus 1.00%. The loan matures on February 28, 2039 and is secured by registered first- ranking on the 44 Queen St. building and insurance over said building.	\$ 741,000	\$ 776,750
	741,000	776,750
Less: Current portion of long-term debt	(741,000)	(776,750)
Long term portion of long-term debt	\$ -	\$ -

The estimated principal repayments are as follows:

2021	39,000
2022	39,000
2023	39,000
2024	39,000
2025 and thereafter	585,000
	\$ 741,000

**JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN**  
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**7. MORTGAGE PAYABLE (CONTINUED)**

The mortgage has been classified as current due to it being due on demand. The estimated repayments noted above are based upon the remaining amortization period of the mortgage should it reach maturity.

Interest expensed relating to the mortgage during the year was \$37,190.

**8. COMMITMENTS**

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

2021	\$ 207,047
2022	<u>125,483</u>
	<u>\$ 332,530</u>

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

**9. FINANCIAL INSTRUMENTS**

The Society's financial instruments include accounts receivable, government remittances recoverable, marketable securities, accounts payable, deferred revenue and mortgage payable. The carrying value of these instruments approximates their fair value due to their immediate or short-term liquidity.

a) Interest rate risk

The Society's exposure to interest rate fluctuations is with respect to the mortgage payable with a variable rate of interest.

b) Market risk

As at March 31, 2020, the Society holds \$422,401 in marketable securities that are exposed to market risk which could result in changes in their fair value and future cash flows.

c) Currency and credit risks

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

JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN  
 NOTES TO THE FINANCIAL STATEMENTS  
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10. CHANGE IN RESERVES

*Equipment and IT reserve*

	2020	2019
Beginning balance	\$ 129,682	\$ 135,997
Appropriations	-	(6,315)
Ending balance	\$ 129,682	\$ 129,682

*Personnel policy and stabilization reserve*

	2020	2019
Beginning balance	\$ 574,408	\$ 577,451
Investment (loss) income	(38,104)	53,182
Disbursements	(70,973)	(35,984)
Appropriations	(107,625)	(20,241)
Ending balance	\$ 357,706	\$ 574,408