

John Howard Society
of Peterborough
Financial Statements
For the year ended March 31, 2020

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Independent Auditor's Report

To the Board of Directors of
John Howard Society of Peterborough

Opinion

We have audited the accompanying financial statements of John Howard Society of Peterborough (the Organization), which comprise the statement of financial position as at March 31, 2020, and the statements of revenues and expenses, fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 Organization 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 opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities 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 Organization'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 Organization'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 Organization 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.

Chartered Professional Accountants, Licensed Public Accountants
Peterborough, Ontario
July 29, 2020

John Howard Society of Peterborough
Statement of Fund Balances

For the year ended March 31			2020	2019
	Invested in Capital Assets	Operating Fund	Total	Total
Balance - beginning of the year	\$ 300,225	\$ 210,091	\$ 510,316	\$ 464,848
Excess (deficiency) of revenues over expenses	(26,143)	6,363	(19,780)	45,468
Investment in capital assets				
- purchases	60,478	(60,478)	-	-
- deferred contribution received	(36,756)	36,756	-	-
Balance - end of the year	\$ 297,804	\$ 192,732	\$ 490,536	\$ 510,316

The accompanying notes are an integral part of these financial statements

John Howard Society of Peterborough Statement of Revenues and Expenses

For the year ended March 31	2020	2019
Revenues		
John Howard Society of Ontario	\$ 3,839	\$ 4,018
United Way of Peterborough & District	50,873	51,173
Ministry of Children and Youth Services	429,323	429,323
Ministry of the Attorney General	198,159	188,774
Contract revenue	169,512	172,117
Interest income	2,898	4,060
Memberships and donations	3,359	2,846
Miscellaneous and recoveries	38,291	14,088
Rental revenue	1,860	1,860
Amortization of deferred capital contributions	1,785	-
	899,899	868,259
Expenses		
Salaries and benefits - staff	683,021	633,009
Amortization	27,928	8,650
Audit and accounting	5,424	5,429
Bank charges and interest	1,794	1,423
Computer costs	12,346	2,329
Fundraising	-	501
Insurance	10,515	8,112
Light, heat and power	12,418	7,348
Maintenance and repairs	39,773	35,639
Membership	14,812	11,524
Mortgage interest	11,541	-
Office and miscellaneous	7,970	12,706
Professional services	18,377	30,967
Program supplies	43,238	30,424
Promotion and brochures	3,962	2,918
Rent - net	1,200	1,100
Staff development	9,015	9,754
Telephone	8,007	7,821
Travel	8,338	13,137
	919,679	822,791
Excess (Deficiency) Revenues Over Expenses	\$ (19,780)	\$ 45,468

The accompanying notes are an integral part of these financial statements

John Howard Society of Peterborough
Statement of Cash Flows

For the year ended March 31	2020	2019
Cash Flows from Operating Activities		
Excess (Deficiency) Revenues Over Expense	\$ (19,780)	\$ 45,468
Items not involving cash		
Amortization of capital assets	27,928	8,650
Amortization of deferred capital contributions	(1,785)	-
	<u>6,363</u>	<u>54,118</u>
Changes in non-cash working capital balances		
Accounts receivable	(35,842)	(25,344)
Prepaid expenses	951	(116)
Accounts payable and accrued liabilities		10,026
2,119		
Statutory deductions payable	(1,127)	(5,058)
Deferred revenue	26,387	9,691
	<u>6,758</u>	<u>35,410</u>
Cash Flows from Investing Activities		
(Purchase) / donation of capital assets	(60,477)	(510,037)
(Purchase) / disposal of long-term investments	(2,866)	(2,440)
	<u>(63,343)</u>	<u>(512,477)</u>
Cash Flows from Financing Activities		
Long-term debt	-	350,000
Deferred contributions received	36,756	35,700
	<u>36,756</u>	<u>385,700</u>
Increase / (Decrease) in Cash	(19,829)	(91,367)
Cash - net - beginning of the year	<u>101,359</u>	<u>192,726</u>
Cash - net - end of the year	<u>\$ 81,530</u>	<u>\$ 101,359</u>

The accompanying notes are an integral part of these financial statements

John Howard Society of Peterborough Notes to Financial Statements

March 31, 2020

1. Summary of Significant Accounting Policies

a) Nature of the Entity

The John Howard Society of Peterborough qualifies as a non-profit organization as defined in the Federal and Ontario Income Tax Act. Accordingly, it is not subject to corporation income taxes.

b) Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

c) Fund Accounting

The operating fund accounts for the Organization's operating activities with respect to unrestricted resources and restricted operating grants.

d) Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as income in the year the related expenses are incurred.

Investment income is recognized as received or receivable.

e) Financial Instruments

i) Measurement

The Organization initially measures its financial assets and liabilities at fair value. Subsequently, the Organization measures all its financial assets and financial liabilities at amortized cost plus accrued interest.

ii) Impairment

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

iii) Transaction Costs

Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

John Howard Society of Peterborough Notes to the Financial Statements

March 31, 2020

1. Summary of Significant Accounting Policies (continued)

f) Accounts Receivable

The Organization records accounts receivable for amounts owing by a funder for approved expenditures incurred in the current year; and recognizes the HST/GST refund for expenditures paid or payable during the year.

g) Capital Assets

Capital assets are recorded at acquisition cost and amortized at the following rates:

Office equipment	- 5 year straight line
Building	- 5% declining balance

A gain or loss on the sale or disposal of a capital asset is recognized in income in the year of sale; and the cost and accumulated amortization of that asset is removed from the accounts.

Deferred contributions relating to capital assets are amortized using the same rates as the related assets.

h) Deferred Revenue

Deferred revenue is the amount which represents an excess of revenue received for specific programs over expenditures made by the year end for those programs.

i) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period.

Key areas where management has made complex or subjective judgments include determination of useful lives of capital assets and the related amortization expenses, and accounts payable and accrued liabilities.

Difference in actual results from prior estimates are taken into account at the time the differences are determined.

j) Contributed Materials and Services

Volunteers contribute significant hours each year to assist the Organization in carrying out its activities. Because of the difficulty of determining their fair value, these services are not recognized in the financial statements.

Contributed materials and services which are used in the normal course of the Organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if the fair value can be reasonably estimated.

John Howard Society of Peterborough
Notes to the Financial Statements

March 31, 2020

2. Cash and Cash Equivalents

Cash and cash equivalents is made up of bank accounts and short-term investments held at a National Bank and a credit union.

	2020	2019
Bank Accounts	\$ 81,530	\$ 94,656
Short- Term Investments	-	6,703
	\$ 81,530	\$ 101,359

3. Accounts Receivable

All of the amounts in accounts receivable are in the normal course of operations, for which the organization has not set up an allowance for uncollectable accounts (2019: \$nil).

4. Investments

	2020	2019
Two non-cashable GICs bearing interest at rates of 2.22% and 2.34% and coming due September 2021 and September 2022	\$ 106,328	\$ 103,462
Investment through mutual funds	57,502	57,502
	\$ 163,830	\$ 160,964

5. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 119,665	\$ 79,450	\$ 119,665	\$ 78,025
Land	176,940	-	176,940	-
Building	897,653	396,333	837,175	369,830
	\$ 1,194,258	\$ 475,783	\$ 1,133,780	\$ 447,855
Net book value		\$ 718,475		\$ 685,925

John Howard Society of Peterborough Notes to the Financial Statements

March 31, 2020

6. Deferred Revenue

Deferred revenue is comprised of unspent operating grants and restricted donations. The availability of these funds in future periods is ultimately dependant upon various funding bodies, and as a result amounts included in deferred contributions may become repayable to the funder.

	<u>Other Funding</u>	<u>Contract Services</u>	<u>Donations</u>	<u>Total</u>
Opening balance	\$ 32,063	\$ 10,752	\$ 10,572	\$ 53,387
Funding received	139,996	69,520	-	209,516
Amount earned	(142,103)	(35,840)	(5,186)	(183,129)
Ending balance	\$ 29,956	\$ 44,432	\$ 5,386	\$ 79,774

7. Deferred Employee Benefits

The organization has accrued vacation leave earned in prior years but not taken.

8. Loan Payable

	<u>2020</u>	<u>2019</u>
Demand loan payable, interest only at P + 1.00%, secured by the property.	\$ 350,000	\$ 350,000

The Organization has secured a second demand loan of \$400,000 for renovations to the building. As at March 31, 2020 this 2nd loan had not been drawn on. Once the renovations are complete and the maximum funds have been loaned, the two loans will be rolled into one new long-term loan. The interest rate and the repayment terms have not been determined to date on the final loan amount.

9. Economic Dependence

A substantial portion of the organization's income is derived from limited sources. The main funders are John Howard Society of Ontario, United Way, the Province of Ontario, and the Government of Canada. The nature and extent of this income is of such significance that the organization is economically dependent upon these sources.

John Howard Society of Peterborough Notes to the Financial Statements

March 31, 2020

10. Financial Instrument Risk

The Organization's financial instruments consists of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and deferred revenue. The financial instruments are subject to several types of risk, the main components being:

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is mainly exposed to interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments as described in Note 2 and Note 4.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligation. The Organization is exposed to that risk from its funders. Due to the nature of the organization, the credit risk is minimized by the signed contracts received from recognized government prior to beginning the programs in question.

The Organization's bank and investment accounts are held at a national bank and the total amount on deposit exceeds the Canadian Deposit Insurance Corporation (CDIC). The Organization is subject to credit risk on the excess deposits over CDIC coverage of \$100,000.

Changes in Risk

There have been no significant changes in the Organization's risk exposures from the prior year.

11. Uncertainty Due to COVID-19

On January 30, 2020, the World Health Organization announced a global health emergency because of a new strain of coronavirus, the "COVID-19 outbreak". In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve throughout the world including Canada. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the impact on the organization will not be known with certainty for months to come. Specifically, the organization continues to operate as they are deemed to be an essential service by the provincial government.

Although the organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the organization's results of future operations, financial position, and liquidity in fiscal year 2021.
