

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

FINANCIAL STATEMENTS

AS AT MARCH 31, 2019

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Approved on behalf of the Board


Approved on behalf of the Board



INDEPENDENT AUDITORS' REPORT

To the Directors of John Howard Society of Waterloo - Wellington

Opinion

We have audited the financial statements of John Howard Society of Waterloo-Wellington, which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets, 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 John Howard Society of Waterloo-Wellington as at March 31, 2019 and its results of operations, changes in net assets, and cash flows, for the year then ended, in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Basis of 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 Consolidated Financial Statements section of our report. We are independent of the Entity 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 the consolidated 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.

Auditors' 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 auditors' 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 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 Company'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.

Cardy Winters & Simon LLP

June 3, 2019
Kitchener, ON

Cardy Winters & Simon LLP

Chartered Professional Accountants
Licensed Public Accountants

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JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

(with comparative figures as at March 31, 2018)

(the accompanying notes are an integral part of these financial statements)

ASSETS	2019			2018		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
CURRENT						
Cash - unrestricted	86,779	0	86,779	160,947	110,436	271,383
Cash - Program Continuation Reserve (notes 3 and 7)	240,992	0	240,992	0	0	0
Investments - Program Continuation Reserve (notes 3 and 7)	81,965	0	81,965	214,896	0	214,896
Investments (note 3)	0	211,367	211,367	0	73,916	73,916
Grants, program fees and HST receivable	64,676	0	64,676	61,375	0	61,375
	474,412	211,367	685,779	437,218	184,352	621,570
LONG-TERM - prepaid benefits	28,673	0	28,673	27,867	0	27,867
PROPERTY AND EQUIPMENT (note 5)	0	1,673,388	1,673,388	0	1,716,781	1,716,781
	\$503,085	\$1,884,755	\$2,387,840	\$465,085	\$1,901,133	\$2,366,218
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities	98,865	0	98,865	86,396	0	86,396
Deferred revenue (note 4)	97,743	0	97,743	95,632	0	95,632
Program revenue repayable	17,173	0	17,173	55,734	0	55,734
Current portion of long term debt (note 6)	0	0	0	0	46,080	46,080
	213,781	0	213,781	237,762	46,080	283,842
NET ASSETS (page 3)						
Internally restricted (note 7)	322,957	211,367	534,324	214,896	184,352	399,248
Unrestricted	(33,653)	1,673,388	1,639,735	12,427	1,670,701	1,683,128
	289,304	1,884,755	2,174,059	227,323	1,855,053	2,082,376
	\$503,085	\$1,884,755	\$2,387,840	\$465,085	\$1,901,133	\$2,366,218

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2019

(with comparative figures for the year ended March 31, 2018)

(the accompanying notes are an integral part of these financial statements)

	<u>Operating Fund</u>	<u>2019 Capital Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>2018 Capital Fund</u>	<u>Total</u>
NET ASSETS - BEGINNING OF THE YEAR	227,323	1,855,053	2,082,376	271,061	1,778,632	2,049,693
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	135,076	(43,393)	91,683	78,169	(45,486)	32,683
INTERFUND TRANSFERS						
Mortgage principal repaid by Operating Fund	(46,080)	46,080	0	(36,907)	36,907	0
Capital Fund enhancement	(27,015)	27,015	0	(85,000)	85,000	0
	(73,095)	73,095	0	(121,907)	121,907	0
NET ASSETS - END OF THE YEAR	\$289,304	\$1,884,755	\$2,174,059	\$227,323	\$1,855,053	\$2,082,376

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2019

(with comparative figures for the year ended March 31, 2018)

(the accompanying notes are an integral part of these financial statements)

	<u>OPERATING FUND</u>	
	<u>2019</u>	<u>2018</u>
REVENUES		
Government program grants	3,045,641	2,917,198
United Way	212,000	214,422
Program fees	271,980	257,394
Other program grants	37,000	14,470
Donations, fundraising and miscellaneous	19,516	40,254
Interest earned (net of interest expense)	4,330	2,300
	<u>3,590,467</u>	<u>3,446,038</u>
EXPENSES		
Wages and employee benefits	2,756,697	2,577,993
Program	317,859	366,778
Building occupancy	102,582	126,115
Office and general	53,540	57,529
Advertising	14,197	14,656
Equipment and computer maintenance	121,382	107,030
Rent, net of recoveries	7,247	12,079
Interest on long term debt	1,227	3,087
Travel	25,723	26,554
Telephone	23,253	22,650
Contracted Services	19,073	14,570
Professional fees	12,611	38,828
	<u>3,455,391</u>	<u>3,367,869</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$135,076</u>	<u>\$78,169</u>

	<u>CAPITAL FUND</u>	
	<u>2019</u>	<u>2018</u>
EXPENSES		
Amortization of property and equipment	43,393	45,486
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	<u>(\$43,393)</u>	<u>(\$45,486)</u>

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

(with comparative figures for the year ended March 31, 2018)

(the accompanying notes are an integral part of these financial statements)

	<u>Operating</u>	<u>2019</u>	<u>Total</u>	<u>Operating</u>	<u>2018</u>	<u>Total</u>
	<u>Fund</u>	<u>Capital</u>		<u>Fund</u>	<u>Fund</u>	
CASH FLOWS FROM (TO):						
OPERATING ACTIVITIES						
Excess (deficit) of revenues over expenses	135,076	(43,393)	91,683	78,169	(45,486)	32,683
Items not requiring cash flows:						
Amortization of property and equipment	0	43,393	43,393	0	45,486	45,486
	135,076	0	135,076	78,169	0	78,169
Change in non-cash current assets and liabilities:						
Investments - Program Continuance Reserve (notes 3 and 7)	132,931	0	132,931	(24,520)	0	(24,520)
Investments (note 3)	0	(137,451)	(137,451)	0	22,067	22,067
Grants, program fees and HST receivable	(3,301)	0	(3,301)	(13,478)	0	(13,478)
Accounts payable and accrued liabilities	12,469	0	12,469	(79,194)	0	(79,194)
Deferred revenue (note 4)	2,111	0	2,111	(15,857)	0	(15,857)
Program revenue repayable	(38,561)	0	(38,561)	7,410	0	7,410
	240,725	(137,451)	103,274	(47,470)	22,067	(25,403)
INVESTING ACTIVITIES						
Prepaid expenses	(806)	0	(806)	0	0	0
FINANCING ACTIVITIES						
Repayment of long-term debt	0	(46,080)	(46,080)	0	(36,907)	(36,907)
Transfers between funds	(73,095)	73,095	0	(121,907)	121,907	0
	(73,095)	27,015	(46,080)	(121,907)	85,000	(36,907)
CHANGE IN CASH FOR THE YEAR	166,824	(110,436)	56,388	(169,377)	107,067	(62,310)
CASH - BEGINNING OF THE YEAR	160,947	110,436	271,383	330,324	3,369	333,693
CASH - END OF THE YEAR	\$327,771	\$0	\$327,771	\$160,947	\$110,436	\$271,383

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

1. NATURE OF THE ORGANIZATION

The John Howard Society of Waterloo-Wellington (JHSWW) is an organization of citizens who accept responsibility for the understanding of and dealing with the problems of crime and the criminal justice system. The organization's mandate is the prevention of crime through service, community education, advocacy and reform.

The organization is incorporated without share capital under the laws of Ontario and registered as a charitable organization with Canada Revenue Agency, and as such is exempt from income tax.

2. SIGNIFICANT ACCOUNT POLICIES

Basis of Accounting

These financial statements have been prepared using Canadian Accounting Standards for Not-for-profit Organizations.

Fund Accounting

The organization uses fund accounting to maintain its books and records. Fund accounting comprises the collective accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions.

Operating Fund

The Operating Fund reflects the assets, liabilities, revenues and expenses related to program delivery and administrative activities.

Capital Fund

The Capital Fund reflects the assets, liabilities, revenues and expenses related to property, equipment and related reserves.

Revenue recognition

The organization uses the restricted fund method for recognizing revenues, whereby contributions which are restricted by donors to non-operating funds are reflected as income when received or receivable, and to the extent they are unexpended, reflected as restricted net assets on the statement of financial position. Restricted contributions received or receivable by the Operating Fund are reflected as deferred income until spent as designated, provided collection is reasonably assured and amounts reasonably estimable. Non-monetary contributions are not reflected in the financial statements of the organization unless fair values can be reasonably determined.

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

2. SIGNIFICANT ACCOUNT POLICIES (continued)

Property and Equipment

Property and equipment are reflected at cost, which is amortized at the following annual rates:

Buildings	- 2.5% straight-line
Equipment	- 20% straight-line
Vehicle	- 33% straight line

Financial Instruments

A financial instrument is a contract that creates a financial asset for one entity and a financial liability or equity instrument of another. JHSWW initially measures its financial assets and liabilities at fair value, except for non-arm's length transactions, if any. JHSWW subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments with quoted fair values in an active market, if any, which are measured at fair value. Changes in fair value are recognized in net income. Financial assets measured at cost are tested for impairment when there are indicators of impairment. 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. The amount of the reversal is recognized in net income. JHSWW recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumption that may affect the reported amount of assets and liabilities at the financial statement date and the reported revenues and expenses reported for the year. In these financial statements, amortization of property and equipment requires estimates and assumptions related to the useful life of the related assets. Actual results could differ from those estimates.

3. FINANCIAL ASSETS

	<u>2019</u>	<u>2018</u>
Short-term investments reflected at fair value:		
RBC Money Market Funds - Program Continuance Reserve	81,965	214,896
RBC Money Market Funds - Capital Fund	211,367	73,916
	<u>293,332</u>	<u>288,812</u>
Other financial assets reflected at amortized cost:		
Cash	327,771	271,383
Grants and program fees receivable	46,252	50,286
	<u>\$667,355</u>	<u>\$610,481</u>

As in the prior year, management believes JHSWW does not face any significant credit, currency, interest rate, liquidity or market risk with respect to its financial instruments.

JHSWW has no equity instruments measured at cost less a reduction for impairment.

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

4. DEFERRED REVENUE

Deferred revenue reflects restricted contributions received or receivable which will be spent as designated in future periods.

5. PROPERTY AND EQUIPMENT

			<u>2019</u>	<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land - Charles Street	135,000	0	135,000	135,000
Land - Cambridge	320,825	0	320,825	320,825
Building - Charles Street	538,627	140,745	397,882	411,348
Building - Cambridge	1,057,992	239,003	818,989	845,439
Equipment	27,851	27,159	692	4,169
Vehicle	25,685	25,685	0	0
	<u>\$2,105,980</u>	<u>\$432,592</u>	<u>\$1,673,388</u>	<u>\$1,716,781</u>

6. LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
Royal Bank of Canada fixed rate term loan, bearing interest at 4.65% per annum, repayable in blended bi-weekly instalments of \$1,300, due December 2018; secured by a collateral mortgage on the Cambridge property	0	46,080
Current portion	0	46,080
	<u>\$0</u>	<u>\$0</u>

7. RESTRICTIONS ON NET ASSETS

Internally Restricted Net Assets:

Operating Fund - Program Continuation Reserve

A portion of the net assets within the Operating Fund have been restricted to provide for program liabilities in the event of funding cutbacks. Board discretion determines increases and decreases to this fund.

	<u>2019</u>	<u>2018</u>
Opening balance	214,896	191,182
Transfer from unrestricted net assets	108,061	23,714
	<u>\$322,957</u>	<u>\$214,896</u>

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

8. COMMITMENTS, CONTINGENCIES, CONTRACTUAL OBLIGATIONS

JHSWW has a service contract with Ministry of Children, Community and Social Services. A reconciliation report summarizes by service (detail code), all revenues and expenses, and identifies any resulting surplus or deficit that relates to the Service Contract / CFSA Approval. A review of this report indicates the program had no surplus (excess of revenues over expenses) for the current fiscal year.

JHSWW has an revolving demand credit facility banking agreement which bears interest at prime plus 1.75% and a borrowing ceiling of \$175,000. This facility is secured by a collateral mortgage on the Cambridge property and a general security agreement.

9. ECONOMIC DEPENDENCE

The organization receives the vast majority of its funding for several programs from government sources. The continuance of these programs in their present form is dependent on the continued receipt of funding from these or similar entities.

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

CONTRACTS WITH THE MINISTRY OF THE ATTORNEY GENERAL

Funding agreements with the Ministry of the Attorney General require revenues and expenditures to be clearly identified and distinguished from the organization's other revenues and expenditures in these financial statements. These programs are not required to be, nor have they been, audited on an individual basis.

	<u>Program</u>				
	<u>Community</u> <u>Justice</u> <u>Worker</u> <u>Kitchener</u>	<u>Community</u> <u>Justice</u> <u>Worker</u> <u>Guelph</u>	<u>Community</u> <u>Justice</u>	<u>Youth</u> <u>Justice</u> <u>Committee</u> <u>Kitchener</u>	<u>Youth</u> <u>Justice</u> <u>Committee</u> <u>Guelph</u>
MAG Funding					
Carried forward	0	0	0	0	0
Current year's allocation	98,000	42,500	24,000	62,400	41,625
	98,000	42,500	24,000	62,400	41,625
Expenses:					
Salaries	66,211	24,714	16,628	38,038	27,406
Benefits	14,523	5,406	2,843	8,835	4,176
Sub-Total	80,734	30,120	19,471	46,873	31,582
Rent	0	1,225	1,000	2,200	1,575
Insurance	550	500	200	1,000	1,000
Administrative fees	9,000	3,400	2,003	5,500	3,500
Audit	500	500	300	500	500
Office Supplies	3,020	1,272	610	1,849	1,807
Program supplies	1,891	1,209	172	1,344	504
Training and development	50	370	225	823	308
Volunteer Training	0	0	0	1,123	560
Travel	1,987	229	19	1,049	207
Program Delivery Costs	0	3,675	0	0	0
Resource materials	268	0	0	139	220
Totals	98,000	42,500	24,000	62,400	41,763
Net revenue (deficit)	0	0	0	0	(138)
Revenue deferred	0	0	0	0	0
Surplus/Deficit	\$0	\$0	\$0	\$0	(\$138)

note - Client fees are reflected on an accrual basis (fees billed), not on a cash basis (fees actually collected).

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

CONTRACTS WITH THE MINISTRY OF THE ATTORNEY GENERAL (continued)

Funding agreements with the Ministry of the Attorney General require revenues and expenditures to be clearly identified and distinguished from the organization's other revenues and expenditures in these financial statements. These programs are not required to be, nor have they been, audited on an individual basis.

	<u>Partner</u>
	<u>Assault</u>
	<u>Response</u>
MAG Funding	
Carried forward	24,640
Current year's allocation	440,134
	464,774
Client fees (see note below)	53,555
	518,329
Expenses:	
Salaries and contract	388,309
Mandatory benefits	33,838
Non-mandatory benefits	41,726
	463,873
Rent / Lease	6,084
Utilities	2,198
Office supplies	2,982
Telecommunications	1,036
Office equipment	12,657
Advertising	1,035
Promotional goods and materials	300
Staff expenses	5,273
Audit	500
Insurance	1,600
Client assistance	218
Professional membership fees	330
	34,213
Net revenue	20,243
Revenue deferred	(20,243)
Surplus revenue	\$0

note - Client fees are reflected on an accrual basis (fees billed), not on a cash basis (fees actually collected).

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

CONTRACTS WITH THE MINISTRY OF THE ATTORNEY GENERAL (continued)

Funding agreements with the Ministry of the Attorney General require revenues and expenditures to be clearly identified and distinguished from the organization's other revenues and expenditures in these financial statements. These programs are not required to be, nor have they been, audited on an individual basis.

	<u>Bail Verification and Supervision</u>
MAG Funding	
Carried forward	0
Current year's allocation	180,000
	<hr/> 180,000
Expenses:	
Salaries and contract	149,490
Other operating expenditures	30,510
	<hr/> 180,000
Net revenue	0
Revenue deferred	0
Surplus revenue	<hr/> \$0

note - Client fees are reflected on an accrual basis (fees billed), not on a cash basis (fees actually collected).