

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

FINANCIAL STATEMENTS

AS AT MARCH 31, 2020

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Approved on behalf of the Board


Approved on behalf of the Board



INDEPENDENT AUDITOR'S REPORT

To the Directors of John Howard Society of Waterloo - Wellington

Opinion

I have audited the financial statements of John Howard Society of Waterloo-Wellington, which comprise the statement of financial position as at March 31, 2020, 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 my 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, 2020 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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

E.M. Simon CPA

June 15, 2020
Kitchener, ON

E.M. Simon CPA Professional Corporation

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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, 2020

(with comparative figures as at March 31, 2019)

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

ASSETS	2020			2019		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
CURRENT						
Cash - unrestricted	145,234	0	145,234	86,779	0	86,779
Cash - Program Continuation Reserve (note 6)	236,314	0	236,314	240,992	0	240,992
Investments - Program Continuation Reserve (notes 3 and 6)	86,643	0	86,643	81,965	0	81,965
Investments (note 3)	0	211,367	211,367	0	211,367	211,367
Grants, program fees and HST receivable	44,380	0	44,380	64,676	0	64,676
	512,571	211,367	723,938	474,412	211,367	685,779
LONG-TERM - prepaid benefits	28,703	0	28,703	28,673	0	28,673
PROPERTY AND EQUIPMENT (note 5)	0	1,632,780	1,632,780	0	1,673,388	1,673,388
	\$541,274	\$1,844,147	\$2,385,421	\$503,085	\$1,884,755	\$2,387,840
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities	124,633	0	124,633	98,865	0	98,865
Program revenue repayable	8,542	0	8,542	17,173	0	17,173
Deferred revenue (note 4)	103,486	0	103,486	97,743	0	97,743
	236,661	0	236,661	213,781	0	213,781
NET ASSETS (page 3)						
Internally restricted (note 6)	322,957	211,367	534,324	322,957	211,367	534,324
Unrestricted	(18,344)	1,632,780	1,614,436	(33,653)	1,673,388	1,639,735
	304,613	1,844,147	2,148,760	289,304	1,884,755	2,174,059
	\$541,274	\$1,844,147	\$2,385,421	\$503,085	\$1,884,755	\$2,387,840

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, 2020

(with comparative figures for the year ended March 31, 2019)

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

	<u>Operating</u>	<u>2020</u>	<u>Total</u>	<u>Operating</u>	<u>2019</u>	<u>Total</u>
	<u>Fund</u>	<u>Capital</u>		<u>Fund</u>	<u>Capital</u>	
	<u>Fund</u>	<u>Fund</u>		<u>Fund</u>	<u>Fund</u>	
NET ASSETS - BEGINNING OF THE YEAR	289,304	1,884,755	2,174,059	227,323	1,855,053	2,082,376
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	15,309	(40,608)	(25,299)	135,076	(43,393)	91,683
INTERFUND TRANSFERS						
Mortgage principal repaid by Operating Fund	0	0	0	(46,080)	46,080	0
Capital Fund enhancement	0	0	0	(27,015)	27,015	0
	0	0	0	(73,095)	73,095	0
NET ASSETS - END OF THE YEAR	\$304,613	\$1,844,147	\$2,148,760	\$289,304	\$1,884,755	\$2,174,059

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2020

(with comparative figures for the year ended March 31, 2019)

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

	<u>OPERATING FUND</u>	
	<u>2020</u>	<u>2019</u>
REVENUES		
Government program grants	2,933,212	3,045,641
United Way	212,000	212,000
Program fees	289,377	271,980
Other program grants	22,562	37,000
Donations and miscellaneous	20,307	19,516
Interest earned (net of interest expense)	5,989	4,330
	<u>3,483,447</u>	<u>3,590,467</u>
EXPENSES		
Wages and employee benefits	2,894,006	2,756,697
Program	248,775	317,859
Building occupancy	112,235	111,056
Equipment and computer maintenance	75,258	121,382
Office and general	51,877	53,540
Travel	24,971	25,723
Telephone	23,638	23,253
Contracted Services	16,904	19,073
Professional fees	11,827	12,611
Advertising	8,647	14,197
	<u>3,468,138</u>	<u>3,455,391</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$15,309</u>	<u>\$135,076</u>
	<u>CAPITAL FUND</u>	
	<u>2020</u>	<u>2019</u>
EXPENSES		
Amortization of property and equipment	40,608	43,393
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	<u>(\$40,608)</u>	<u>(\$43,393)</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, 2020

(with comparative figures for the year ended March 31, 2019)

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

		2020			2019	
	Operating	Capital	Total	Operating	Capital	Total
	Fund	Fund		Fund	Fund	
CASH FLOWS FROM (TO):						
OPERATING ACTIVITIES						
Excess (deficit) of revenues over expenses	15,309	(40,608)	(25,299)	135,076	(43,393)	91,683
Items not requiring cash flows:						
Amortization of property and equipment	0	40,608	40,608	0	43,393	43,393
	15,309	0	15,309	135,076	0	135,076
Change in non-cash current assets and liabilities:						
Investments - Program Continuance Reserve (notes 3 and 6)	(4,678)	0	(4,678)	132,931	0	132,931
Investments (note 3)	0	0	0	0	(137,451)	(137,451)
Grants, program fees and HST receivable	20,296	0	20,296	(3,301)	0	(3,301)
Accounts payable and accrued liabilities	25,768	0	25,768	12,469	0	12,469
Deferred revenue (note 4)	5,743	0	5,743	2,111	0	2,111
Program revenue repayable	(8,631)	0	(8,631)	(38,561)	0	(38,561)
	53,807	0	53,807	240,725	(137,451)	103,274
INVESTING ACTIVITIES						
Prepaid expenses	(30)	0	(30)	(806)	0	(806)
FINANCING ACTIVITIES						
Repayment of long-term debt	0	0	0	0	(46,080)	(46,080)
Transfers between funds	0	0	0	(73,095)	73,095	0
	0	0	0	(73,095)	27,015	(46,080)
CHANGE IN CASH FOR THE YEAR	53,777	0	53,777	166,824	(110,436)	56,388
CASH - BEGINNING OF THE YEAR	327,771	0	327,771	160,947	110,436	271,383
CASH - END OF THE YEAR	\$381,548	\$0	\$381,548	\$327,771	\$0	\$327,771
REPRESENTED BY:						
Cash - unrestricted	145,234	0	145,234	86,779	0	86,779
Cash - Program Continuance Reserve (note 6)	236,314	0	236,314	240,992	0	240,992
	\$381,548	\$0	\$381,548	\$327,771	\$0	\$327,771

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

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

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NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

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>2020</u>	<u>2019</u>
Short-term investments reflected at fair value:		
RBC Money Market Funds - Program Continuance Reserve	86,643	81,965
RBC Money Market Funds - Capital Fund	211,367	211,367
	<u>298,010</u>	<u>293,332</u>
Other financial assets reflected at amortized cost:		
Cash	381,548	327,771
Grants and program fees receivable	29,558	46,252
	<u>\$709,116</u>	<u>\$667,355</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, 2020

4. DEFERRED REVENUE

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

5. PROPERTY AND EQUIPMENT

			<u>2020</u>	<u>2019</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	154,211	384,416	397,882
Building - Cambridge	1,057,992	265,453	792,539	818,989
Equipment	27,851	27,851	0	692
Vehicle	25,685	25,685	0	0
	<u>\$2,105,980</u>	<u>\$473,200</u>	<u>\$1,632,780</u>	<u>\$1,673,388</u>

6. 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>2020</u>	<u>2019</u>
Opening balance	322,957	214,896
Transfer from unrestricted net assets	0	108,061
	<u>\$322,957</u>	<u>\$322,957</u>

Represent by:

Cash - Program Continuation Reserve (note 6)	236,314	240,992
Investments - Program Continuation Reserve (notes 3 and 6)	86,643	81,965
	<u>\$322,957</u>	<u>\$322,957</u>

7. 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.

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON
AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

8. ECONOMIC DEPENDENCE

The organization receives the 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.

9. SUBSEQUENT EVENTS

Subsequent to March 31, 2020, the world-wide COVID19 pandemic had a significant impact on all activities around the world. To protect clients, staff and other stakeholders, management accordingly took all necessary steps to comply with government regulations and recommendations before and after March 31, 2020. While the impact of the COVID19 pandemic will likely have an impact on the organization's financial results for the 2021 fiscal year, it was impractical to quantify that impact to the date of issuance of these financial statements.

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

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>Youth Justice Committee Kitchener</u>	<u>Direct Accountability Kitchener Guelph</u>
MAG Funding		
MCCSS - pay equity	593	0
Current year's allocation	102,705	165,000
	<u>103,298</u>	<u>165,000</u>
Expenses:		
Salaries	71,975	113,220
Benefits	8,136	25,060
Sub-Total	<u>80,111</u>	<u>138,280</u>
Rent	3,775	1,225
Insurance	2,130	1,450
Administrative fees	8,494	14,900
Audit	1,000	1,200
Program and office supplies	5,925	6,727
Staff expenses	1,304	2,573
Volunteer expenses	559	0
Totals	<u>103,298</u>	<u>166,355</u>
Net revenue (deficit)	0	(1,355)
Revenue deferred	0	0
Surplus/Deficit	<u>\$0</u>	<u>(\$1,355)</u>

JOHN HOWARD SOCIETY OF WATERLOO-WELLINGTON

AN AFFILIATE OF THE JOHN HOWARD SOCIETY OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

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	20,244
Current year's allocation	416,343
MCCSS - Pay equity	17,158
	453,745
Client fees (see note below)	70,597
	524,342
Expenses:	
Salaries	371,555
Mandatory benefits	31,221
Non-mandatory benefits	48,271
	451,047
Rent / Lease	4,084
Utilities	2,392
Office supplies	2,778
Telecommunications	948
Office equipment	10,386
Advertising	693
Promotional goods and materials	27
Staff expenses	1,810
Audit	733
Insurance	2,004
Client assistance	100
	25,955
Net revenue	47,340
Revenue deferred	(47,340)
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, 2020

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	152,259
Other operating expenditures	27,741
	<hr/> 180,000
Net revenue	0
Revenue deferred	0
Surplus revenue	<hr/> \$0