

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

FINANCIAL STATEMENTS

MARCH 31, 2008



*Smith
Chappell
Marsh
Vilander* *LLP Chartered Accountants*

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AUDITORS' REPORT

To the Board of Directors
John Howard Society of Durham Region

We have audited the statement of financial position of John Howard Society of Durham Region (Core Program) as at March 31, 2008 and the related statements of changes in net assets, operations and cash flows for the period then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraphs, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Note 2(a) describes the policy with respect to certain programs administered by the Society. Under Canadian generally accepted accounting principles, the programs should be included in the financial statements of the Society.

In common with many charitable organizations, the organization derives part of its revenue from donations and fundraising events the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenue over expense, assets and equity.

In our opinion, except for the failure to incorporate various programs administered by the Society and for the effect of adjustments, if any, which might have been determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue, referred to in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of John Howard Society of Durham Region (Core Program) as at March 31, 2008 and the results of its operations for the period then ended in accordance with Canadian generally accepted accounting principles.

Smith Chappell Marsh Vilander LLP

Chartered Accountants, Licensed Public Accountants

**September 19, 2008
Oshawa, Ontario**

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JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31,

2008

2007
(December 31)

ASSETS

Current

Cash	\$ 253,523	\$ 281,443
Investments	204,282	202,164
Accounts receivable	46,439	21,092
Loans to projects (Note 5)	28,245	-
Prepaid expenses	<u>23,655</u>	<u>19,910</u>

556,144 524,609

Other

Capital assets (Notes 2 and 3)	<u>388,450</u>	<u>384,690</u>
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\$ 944,594 \$ 909,299

LIABILITIES

Current

Accounts payable	\$ 62,604	\$ 34,339
Loans from projects (Note 5)	-	2,267
Accrued pension liability (Note 14)	204,282	202,164
Mortgage principal due within one year (Note 6)	<u>11,217</u>	<u>11,020</u>

278,103 249,790

Other

Mortgage payable (Note 6)	<u>156,992</u>	<u>159,878</u>
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435,095 409,668

NET ASSETS

Invested in Capital Assets (Note 2(e) and 12) 220,241 213,792

Operational reserve (Note 2j) 67,000 67,000

Unrestricted Funds 222,258 218,839

509,499 499,631

\$ 944,594 \$ 909,299

Approved On Behalf Of The Board:

_____ Director

_____ Director

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE PERIOD JANUARY 1 - MARCH 31,

2008

2007

(Twelve months
ended December 31)

	Invested in				
	Capital	Operational	Unrestricted		
	<u>Assets</u>	<u>Reserve</u>	<u>Unrestricted</u>		
Opening balance	\$ 213,792	\$ 67,000	\$ 218,839	\$ 499,631	\$ 368,225
Excess of revenue over expenses (expenses over revenue)					
- operations (Note 12)	(1,655)	-	11,523	9,868	131,406
- capital (Note 12)	<u>8,104</u>	<u>-</u>	<u>(8,104)</u>	<u>-</u>	<u>-</u>
Closing balance	<u>\$ 220,241</u>	<u>\$ 67,000</u>	<u>\$ 222,258</u>	<u>\$ 509,499</u>	<u>\$ 499,631</u>

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

STATEMENT OF OPERATIONS

FOR THE PERIOD JANUARY 1 - MARCH 31,

2008

2007

(Twelve months
ended December 31)

Revenue

United Way grants	\$ 86,299	\$ 376,194
Other programs	12,974	53,223
Project X (needle exchange)	51,675	187,700
Bingo	18,887	24,076
Other receipts	35,906	7,484
Donations	367	6,968
Interest	3,355	12,297
Amortization of deferred contributions (Note 2(b))	-	660
	<u>209,463</u>	<u>668,602</u>

Expenses

Salaries and benefits	747,199	2,593,187
Staff training	592	3,210
Travel	1,609	4,052
Project X (needle exchange)	48,319	187,588
Occupancy (Note 9)	31,409	115,081
Mortgage interest	2,901	13,958
Insurance	5,477	25,182
Telephone	3,111	15,583
Office	13,286	61,203
Office equipment and maintenance	12,549	31,200
Contribution to John Howard Society of Ontario	14,538	55,988
Meetings and promotion	705	4,392
Professional fees	8,000	17,150
Client assistance	-	35
Amortization	1,655	7,460
Fundraising	1,520	7,478
Other programs	5,318	7,674
Miscellaneous	408	1,152
Allocated salaries and benefits (Note 7)	(529,079)	(2,129,172)
Allocated administration (Note 7)	<u>(169,922)</u>	<u>(485,205)</u>
	<u>199,595</u>	<u>537,196</u>
Excess of revenue over expenses	\$ <u>9,868</u>	\$ <u>131,406</u>

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

STATEMENT OF CASH FLOWS

FOR THE PERIOD JANUARY 1 - MARCH 31,

2008

2007

(Twelve months
ended December 31)

Operating Activities

Excess of revenue over expenses	\$ 9,868	\$ 131,406
Charges to income not involving cash		
Amortization	1,655	7,460
Deferred contributions	-	(660)
Provided from working capital (Note 8)	<u>1,291</u>	<u>(18,395)</u>
	<u>12,814</u>	<u>119,811</u>

Financing Activities

Repayment of mortgage	(2,689)	(30,281)
Net increase/decrease in loans from programs	<u>(30,512)</u>	<u>22,060</u>
	<u>(33,201)</u>	<u>(8,221)</u>

Investing Activities

Additions to capital assets	(5,415)	-
Increase in investments	<u>(2,118)</u>	<u>(202,164)</u>
	<u>(7,533)</u>	<u>(202,164)</u>

Decrease In Cash

(27,920) (90,574)

Cash, beginning of period

281,443 372,017

Cash, end of period

\$ 253,523 \$ 281,443

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

1. General Information

The John Howard Society of Durham Region is a charitable organization in accordance with the Income Tax Act (Canada) and, as such, does not pay income taxes. The organization was incorporated in 1999 in Ontario as a corporation without share capital.

It is committed to providing and developing programs that reduce the social, economic and personal costs of crime. The Society is dedicated to helping youth and adults in conflict with the law and individuals at risk through service, education, reform and community programs.

2. Summary of Significant Accounting Policies

(a) Programs

These statements do not incorporate financial information for the various programs administered by the John Howard Society of Durham Region and funded separately. Additional information about these programs is reflected in Note 10.

(b) Capital Assets

The policy of the Society is to capitalize purchases of major capital assets at their cost. Minor capital asset purchases are being expensed as approved by the board.

(c) Deferred Revenue

Deferred revenue is income received which is attributable to subsequent years. As the expenses are incurred, this income will be recognized in the Statement of Operations.

(d) Revenue Recognition

John Howard Society of Durham Region follows the deferral method of accounting for contributions. 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.

United Way funding is recognized based on the calendar year allocation.

Various government funding is recognized based on the funding agreement.

Bingo revenue is recognized monthly based on pooling allocations.

Interest is recognized based on amounts received.

Program revenue is recognized when programs are held.

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

2. Summary of Significant Accounting Policies (continued)

(e) Invested in Capital Assets

This funds represents capital assets less amortization and net of mortgages payable and deferred contributions related to capital assets (Note 11). The method of recording amortization on each class is described in Note 2(g).

(f) Pledges

Pledges are recorded when amounts are received.

(g) Amortization

Amortization is recorded on the straight-line basis over the following period:

Building	40 years with residual value of \$12,000
Computer equipment	3 years
Other equipment	5 years

(h) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results may differ from those estimates.

(i) Contributed Services

John Howard Society of Durham Region would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. The value is not recognized in these financial statements.

(j) Operational Reserve

The Board of Directors of John Howard Society of Durham Region has established an internally restricted Operational Reserve fund. The purpose of this fund is to provide the organization with a reserve of cash for years when funding is not sufficient to cover operating costs. Funds can only be transferred to and from this fund with the approval of the Board of Directors.

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

3. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2008</u>	<u>2007</u>
Land	\$ 176,000	\$ -	\$ 176,000	\$ 176,000
Building	239,596	32,716	206,880	208,300
Other equipment	<u>19,356</u>	<u>13,786</u>	<u>5,570</u>	<u>390</u>
	<u>\$ 434,952</u>	<u>\$ 46,502</u>	<u>\$ 388,450</u>	<u>\$ 384,690</u>

4. Line of Credit

The bank credit facility represents a line of credit of \$90,000. There was \$nil outstanding at March 31, 2008 (\$25,725 outstanding at December 31, 2007). The line of credit is secured by a charge against property owned by the Society

5. Loans from Programs

Amounts were advanced to and from programs administered by the Society. There are no terms of repayment for these loans.

	<u>2008</u>	<u>2007</u>
Service Canada	\$ (1,315)	\$ (7,215)
Literacy	(19,754)	6,282
Ministry programs	13,648	13,648
Access to Housing	(33,277)	(33,277)
Clarington Resource	(1,100)	(1,100)
Oshawa Residence #2	670	(930)
Community Alternatives for School Suspension	249	249
Clarington Youth	10,517	20,517
Job Connect	<u>2,117</u>	<u>4,092</u>
	<u>\$ (28,245)</u>	<u>\$ 2,266</u>

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

6. Mortgage Payable	<u>2008</u>	<u>2007</u>
The mortgage is due in blended monthly instalments of \$1,900 through April, 2010 with interest at 7.1%. It is secured by a charge against the property owned by the Society.	\$ 168,209	\$ 170,898
Less: principal due within one year	<u>11,217</u>	<u>11,020</u>
Long-term portion	<u>\$ 156,992</u>	<u>\$ 159,878</u>
The annual principal payments would be as follows:		
2009	\$ 11,217	
2010	12,040	
2011 and beyond	<u>144,952</u>	
	<u>\$ 168,209</u>	

7. Allocated expenses

These amounts are charged to various programmes administered by the Society. This represents reimbursement of salary, benefits and administrative costs. Expenses are allocated to programs in accordance with the nature and purpose of the outlay or as expressly permitted by the various funding authorities. Where an expense relates to multiple programs, it is allocated to the programs in accordance with the approved budgets. Expenses allocations are those provided by management.

8. Cash Provided From (Used For) Working Capital

Cash otherwise available from operating activities is influenced by increases or decreases in the following items:

	<u>2008</u>	<u>2007</u>
Accounts receivable	\$ (25,346)	\$ 23,464
Prepaid expenses	(3,746)	(10,486)
Accounts payable	28,265	(23,237)
Deferred revenue	-	(10,300)
Accrued pension liability	<u>2,118</u>	<u>2,164</u>
	<u>\$ 1,291</u>	<u>\$ (18,395)</u>

9. Commitments

The Society pays rent of \$2,648 per month for its Ajax office and may be subject to marginal adjustments from year to year. The Society pays rent of \$4,813 per month for its Whitby office based on a lease agreement which expires in 2011. The Society also pays rent of \$1,116 per month for its Clarington office based on a lease agreement which is signed yearly and may be subject to marginal adjustments from year to year. Some of the space occupied by the Society at the Clarington location is sublet to other organizations from which rent is collected.

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

10. Unconsolidated Programs

The Society administers a number of programs on behalf of various funding bodies. Canadian Generally Accepted Accounting Principles ("CGAAP") suggest that the financial information for these programs be incorporated, for financial reporting purposes, with these financial statements. The Society has decided not to incorporate this information. Programs have different year ends depending primarily on the needs of the funding bodies. Financial statements for all programs are available. These programs, and some selected data are as follows:

	<u>Period Ended</u>	<u>Net Assets</u>	<u>Gross Revenue</u>
Ministry Programs	March 31, 2008	\$ (40,316)	\$ 1,043,016
Oshawa Residence #2	March 31, 2008	\$ (38,804)	\$ 99,186
Job Connect and Summer Job Service	March 31, 2008	\$ (34,268)	\$ 1,528,603
Literacy	March 31, 2008	\$ (3,380)	\$ 180,682
Community Justice Worker	March 31, 2008	\$ (1,250)	\$ 134,782
*Service Canada	March 31, 2008	\$ (3,708)	\$ 186,417
*Access to Permanent Housing	March 31, 2008	\$ (41,580)	\$ 37,221
*Clarington Youth Services	March 31, 2008	\$ 49,126	\$ 46,826
*Clarington Resource Centre	March 31, 2008	\$ (2,250)	\$ 1,862
*Community Alternatives for School Suspension	March 31, 2008	\$ 26,162	\$ 32,776

* These amounts have been extracted from internally produced financial statements.

11. Deferred Contributions Related to Capital Assets

Deferred contributions related to specific capital assets represent the unamortized amount of funds received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations on the same basis as the amortization expense related to these capital assets.

	<u>2008</u>	<u>2007</u>
Opening balance	\$ -	\$ 660
Less: Amount amortized to revenue	<u>-</u>	<u>(660)</u>
Closing balance	<u>\$ -</u>	<u>\$ -</u>

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

12. Invested in Capital Assets

(a) Invested in capital assets is calculated as follows:

	<u>2008</u>	<u>2007</u>
Net book value of capital assets	\$ 388,450	\$ 384,690
Less: Amount financed by mortgage	<u>(168,209)</u>	<u>(170,898)</u>
Closing balance	<u>\$ 220,241</u>	<u>\$ 213,792</u>

(b) Change in net assets invested in capital assets is calculated as follows:

Excess of Revenues Over Expenses (Expenses Over Revenues)		
Amortization of deferred contributions	\$ -	\$ 660
Amortization of capital assets	<u>(1,655)</u>	<u>(7,460)</u>
	<u>\$ (1,655)</u>	<u>\$ (6,800)</u>
Net Change in Invested in Capital Assets		
Additions to capital assets	\$ 5,415	\$ -
Reduction/Increase of mortgage	<u>2,689</u>	<u>30,282</u>
	<u>\$ 8,104</u>	<u>\$ 30,282</u>

13. Fair value of financial instruments

The carrying amount of accounts receivable and accounts payable approximate the fair value because of the short term maturity of these items. The carrying amount of the mortgage payable also approximates the fair values as fixed interest rates approximate market rates at March 31, 2008.

14. Pension Costs and Obligations

The Society participates in a multiemployer defined benefit pension plan of John Howard Society of Ontario, which covers certain eligible employees. The Society also sponsors a defined contribution pension plan for its employees. During the year regular pension contributions of \$66,238 were expensed for both plans.

In 2007, the Society's Board of Directors committed to a change in the defined benefit plan to allow the year of record on retirement as being the calendar year of retirement for the remaining employees in this plan. John Howard Society of Ontario is currently in the process of implementing this amendment to the pension plan. The cost of this amendment is still unknown but the Board of Directors has determined that an amount of \$200,000 be expensed in 2007 and set up as a liability towards this future commitment.

15. Comparative Figures

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.