

CALGARY JOHN HOWARD SOCIETY

Financial Statements

December 31, 2020

CALGARY JOHN HOWARD SOCIETY
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For the Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Calgary John Howard Society:

Opinion

We have audited the financial statements of Calgary John Howard Society (the "Society"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Calgary John Howard Society as at December 31, 2020 and the results of its 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 Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with those 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 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 intends 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.

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Independent Auditor's Report to the Directors of Calgary John Howard Society *(continued)*

Auditor's Responsibilities for the Audit of 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.

BDO Canada LLP

Chartered Professional Accountants

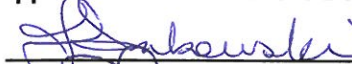
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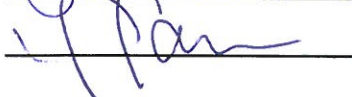
May 26, 2021

CALGARY JOHN HOWARD SOCIETY
Statement of Financial Position
As at December 31, 2020

	2020	2019
Assets		
Current		
Cash	\$ 1,030,071	\$ 549,562
Accounts receivable	607,455	398,114
Goods and services tax recoverable	19,630	25,358
Prepaid expenses (Note 3)	99,238	273,263
	<u>1,756,394</u>	<u>1,246,297</u>
Property and equipment (Note 4)	14,240,498	14,982,160
	<u>\$ 15,996,892</u>	<u>\$ 16,228,457</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 539,031	\$ 441,911
Source deductions payable	76,534	52,666
Current before callable debt	615,565	494,577
Callable debt (Note 5)	2,988,995	4,323,672
	<u>3,604,560</u>	<u>4,818,249</u>
Deferred contributions (Note 6)	7,338,522	6,969,176
	<u>10,943,082</u>	<u>11,787,425</u>
Net Assets		
Invested in property and equipment	4,462,453	4,120,139
Unrestricted	591,357	320,893
	<u>5,053,810</u>	<u>4,441,032</u>
	<u>\$ 15,996,892</u>	<u>\$ 16,228,457</u>

Approved on behalf of the Board


 _____ Director


 _____ Director

CALGARY JOHN HOWARD SOCIETY
Statement of Operations
For the Year Ended December 31, 2020

	2020	2019
Revenue		
Calgary Homeless Foundation	\$ 2,534,490	\$ 2,576,836
Government of Canada	2,032,569	1,853,788
Other revenue (Note 4)	1,011,293	197,122
United Way	575,092	534,177
Recognition of deferred contributions related to property and equipment (Note 6)	455,609	236,099
Other Grants	309,407	180,623
Calgary Learns	272,580	289,187
Fees for service programs	249,071	189,588
City of Calgary (Note 7)	210,096	173,005
Government of Alberta	171,521	235,951
CFAN FASD Service Network Program	154,285	177,612
Donations	75,736	29,959
Temporary wage subsidy (Note 10)	25,000	-
Casino	-	70,970
	8,076,749	6,744,917
Expenses		
Salaries, wages and benefits	4,799,346	4,473,172
Programming	938,756	971,853
Amortization	754,353	497,625
Premises	374,681	452,762
Professional fees	187,152	140,968
Interest on long-term debt	139,327	123,639
Travel and meetings	69,454	113,759
Insurance	66,386	57,868
Office and administration	51,370	53,947
Professional development	37,031	48,571
Memberships	29,547	26,157
Banking and other service fees	9,352	5,050
Advertising and promotion	7,216	8,615
	7,463,971	6,973,986
Excess (deficiency) of revenue over expenses	\$ 612,778	\$ (229,069)

CALGARY JOHN HOWARD SOCIETY
Statement of Changes in Net Assets
For the Year Ended December 31, 2020

			2020	2019
	Invested in Property and Equipment	Unrestricted	Total	Total
Net assets - beginning of year	\$ 4,120,139	\$ 320,893	\$ 4,441,032	\$ 4,670,101
Excess (deficiency) of revenue over expenses	(298,744)	911,522	612,778	(229,069)
Net activities of property and equipment	(693,618)	693,618	-	-
Repayment of principal on callable debt	1,334,676	(1,334,676)	-	-
Net assets - end of year	\$ 4,462,453	\$ 591,357	\$ 5,053,810	\$ 4,441,032

CALGARY JOHN HOWARD SOCIETY
Statement of Cash Flows
For the Year Ended December 31, 2020

	2020	2019
Operating activities		
Cash receipts from operations	\$ 6,689,496	\$ 6,650,596
Cash paid to suppliers and employees	(6,269,552)	(7,060,029)
Interest received	2,604	15,763
Interest paid	(139,326)	(128,689)
Cash flow from (used in) operating activities	283,222	(522,359)
Investing activities		
Purchase of property and equipment	(66,915)	(4,355,984)
Proceeds from sale of property and equipment	892,569	-
Cash flow from (used by) investing activities	825,654	(4,355,984)
Financing activities		
Contributions received for purchase of property and equipment	706,310	531,578
Financing obtained in the year	-	4,225,000
Repayment of callable debt	(1,334,677)	(488,527)
Cash flow from (used by) financing activities	(628,367)	4,268,051
Increase (decrease) in cash flow	480,509	(610,292)
Cash - beginning of year	549,562	1,159,854
Cash - end of year	\$ 1,030,071	\$ 549,562

CALGARY JOHN HOWARD SOCIETY

Notes to Financial Statements

Year Ended December 31, 2020

1. Purpose of the organization

The Calgary John Howard Society (the "Society") is a community based charitable organization dedicated to reducing the incidence of crime and increasing community safety through preventative and restorative justice practices. To accomplish these ends, the Society provides direct services to individuals at risk, advocacy for effective responses to crime and the individuals involved, and education for youth and adults in the community. The Society is incorporated under the Societies Act of the Province of Alberta and is a registered charity. Therefore, under section 149(1) of the Income Tax Act the Society is exempt from the payment of income tax.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CPA Canada Handbook, and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Revenue recognition

The Calgary John Howard Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions received for property and equipment are deferred and amortized to revenue on the same basis as the related assets. 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.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Cash and cash equivalents

Cash includes cash on hand and balances in banks. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days. The Society currently has no cash equivalents.

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life on a straight-line basis at the following rates:

Buildings	5%
Equipment	30%
Furniture and textiles	20%
Leasehold improvements	Term of lease

Property and equipment acquired during the year but not placed into use are not amortized until they are available for use.

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CALGARY JOHN HOWARD SOCIETY
Notes to Financial Statements
Year Ended December 31, 2020

2. Summary of significant accounting policies (*continued*)

Contributed materials and services

Contributed materials are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the Society's operations and would otherwise have been purchased. Volunteers contribute many hours per year to assist the Society in carrying out program activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Management 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, disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. The significant items requiring management estimates include the estimated useful lives of property and equipment, accrued receivables, accrued liabilities and amortization of deferred contributions related to property and equipment.

Financial instruments

The Society initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost. The Society's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities and are tested for impairment at each reporting date.

3. Prepaid Expenses

In 2017, the Society paid a \$579,000 security deposit to the City of Calgary in connection with the construction of the new building located at 4502 Builders Road SE Calgary described in Note 4(b). This security deposit was to be refunded after the completion of the construction project subject to certain conditions. The Society received a partial refund in the amount of \$386,000 from the City of Calgary in 2018 and has received the remaining balance in 2020.

CALGARY JOHN HOWARD SOCIETY
Notes to Financial Statements
Year Ended December 31, 2020

4. Property and equipment

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land (c)	\$ 2,160,628	\$ -	\$ 2,160,628	\$ 2,195,128
Buildings (a), (b), (c)	14,419,697	2,423,726	11,995,971	12,662,901
Equipment	361,616	320,078	41,538	67,114
Furniture and textiles	60,516	18,155	42,361	54,464
Leasehold improvements	-	-	-	2,553
Total property and equipment	\$ 17,002,457	\$ 2,761,959	\$ 14,240,498	\$ 14,982,160

a) Included in the Society's property and equipment is a building with a carrying value of \$946,288 as at December 31, 2020 (2019: \$1,015,681), which was recorded at its fair value as at the date of acquisition. Funding for this property was provided in part (\$525,000) by the Calgary Homeless Foundation. The project funding agreement contains a condition which requires that the Society shall own and operate the property solely for the purpose as outlined in the agreement until March 31, 2029. Failure to comply with the conditions will require return of the contribution in part as outlined in the agreement.

b) During 2019, construction was completed on a new building with a carrying value of \$10,042,712 as at December 31, 2020 (2019: \$10,584,515), which became available for use in 2019 when the occupancy permit was received allowing for the move of staff and programming to the new space.

c) During the year, land and building with a combined carrying value of \$51,672 was sold and a gain on sale of assets of \$838,346 was recorded. This gain is included in other revenue.

5. Callable debt

	2020	2019
Alberta Treasury Branches term loan to assist with the purchase of properties, at prime plus 1.00% per annum. The principal is due on demand. The loan is secured against the building noted in Note 4(a).	\$ 527,588	\$ 562,672
Alberta Treasury Branches term loan to assist with the construction of the building noted in Note 4(b), at prime plus 1.00% per annum.	2,461,407	3,000,000
Alberta Treasury Branches term loan to assist with the construction of the building noted in Note 4(b), at prime plus 1.00% per annum.	-	761,000
	\$ 2,988,995	\$ 4,323,672

The Society held debt with Alberta Treasury Branches ("ATB") that was callable on demand. While ATB has not called the debt as of the year end, it retains the ability to do so. Due to these factors, the balance is included in current liabilities.

CALGARY JOHN HOWARD SOCIETY
Notes to Financial Statements
Year Ended December 31, 2020

6. Deferred contributions

	2020	2019
Deferred contributions related to property and equipment		
Balance, beginning of year	\$ 6,538,349	\$ 6,242,870
Add: received during the year	706,310	531,578
Less: recognized as revenue during the year	(455,609)	(236,099)
Balance, end of year	6,789,050	6,538,349
Deferred contributions related to operations		
Balance, beginning of year	430,827	403,852
Add: received during the year	4,422,098	4,408,775
Less: recognized as revenue during the year	(4,303,453)	(4,381,800)
Balance, end of year	549,472	430,827
Total deferred contributions	\$ 7,338,522	\$ 6,969,176

7. City of Calgary grants

During the year, the Society recognized revenue for grants received from the City of Calgary for various purposes as follows:

	2020	2019
City of Calgary - Immigrant Youth Advocacy	\$ 84,000	\$ 84,000
City of Calgary - Kisisskistaki Ikamotaan	59,309	68,989
City of Calgary - Site improvement grant	35,475	6,816
City of Calgary - Accrediation grant	18,260	-
City of Calgary - COVID-19 grant	13,052	-
City of Calgary - Theory of Change	-	13,200
	\$ 210,096	\$ 173,005

8. Line of credit

The Society has a line of credit available to a maximum of \$200,000 bearing interest at prime plus 1.00% per annum. The line of credit is secured by a general security agreement. At December 31, 2020, the Society has utilized \$nil of the line of credit (2019: \$nil).

9. Financial instruments

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2020.

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CALGARY JOHN HOWARD SOCIETY
Notes to Financial Statements
Year Ended December 31, 2020

9. Financial instruments (continued)

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society's financial assets that are exposed to credit risk consist primarily of accounts receivable. The Society is not subject to significant concentration of credit risk with respect to its funders, sponsors and customers.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, deferred contributions, loan payable and commitments.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through credit facilities.

Unless otherwise noted, it is management's opinion that the Society's not exposed to significant other price risks arising from these financial instruments.

10. COVID-19 impact

The global pandemic has disrupted economic activities. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances and the uncertainty around the duration of the disruption, the related financial impact cannot be reasonably estimated at this time. The Society is continuing operations, both in residential programs, and by having non-residential employees work remotely wherever possible.

The Society received government assistance funding during the year related to the Temporary Wage Subsidy in the amount of \$25,000 (2019: \$nil).

11. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's financial statement presentation. This reclassification has no impact on prior year's revenue over expenses.
