

CALGARY JOHN HOWARD SOCIETY

Financial Statements

December 31, 2022

CALGARY JOHN HOWARD SOCIETY
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For the Year Ended December 31, 2022

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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, 2022, 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, 2022 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.

Chartered Professional Accountants

Calgary, Alberta
May 18, 2023

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

	2022	2021
Assets		
Current		
Cash	\$ 1,008,512	\$ 883,860
Short term investments (Note 3)	200,000	200,000
Accounts receivable	707,626	829,639
Goods and services tax recoverable	11,585	27,056
Prepaid expenses	<u>142,786</u>	<u>118,242</u>
	2,070,509	2,058,797
Property and equipment (Note 4)	<u>12,931,560</u>	13,591,547
Investments (Note 5)	<u>100,000</u>	100,000
	\$ 15,102,069	\$ 15,750,344
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 561,291	\$ 653,022
Source deductions payable	<u>60,643</u>	56,833
Current before callable debt	<u>621,934</u>	709,855
Callable debt (Note 6)	<u>2,429,849</u>	2,623,301
	3,051,783	3,333,156
Deferred contributions (Note 7)	<u>6,666,019</u>	7,179,674
	<u>9,717,802</u>	10,512,830
Net Assets		
Invested in property and equipment	<u>4,260,380</u>	4,516,150
Unrestricted	<u>1,123,887</u>	721,364
	<u>5,384,267</u>	5,237,514
	\$ 15,102,069	\$ 15,750,344

Approved on behalf of the Board

Alexander Siedler Director
Armen Harjani Director

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

	2022	2021
Revenue		
Calgary Homeless Foundation	\$ 2,790,493	\$ 2,791,655
Government of Canada	2,181,428	2,154,345
Government of Alberta	1,825,955	1,689,045
Recognition of deferred contributions related to property and equipment (Note 7)	411,112	434,299
United Way	337,706	379,879
Other revenue	304,553	160,749
City of Calgary (Note 8)	294,473	182,675
Calgary Learns	251,337	267,664
Fees for service programs	250,219	217,544
CFAN FASD Service Network Program	175,496	167,235
Other Grants	89,591	200,294
Donations	58,236	51,371
Casino	21,848	5,732
	8,992,447	8,702,487
Expenses		
Salaries, wages and benefits	5,211,609	5,040,332
Programming	1,029,754	954,315
Subcontracted services	806,198	703,639
Amortization	761,439	758,548
Premises	353,628	419,354
Professional fees	200,825	237,493
Interest on long-term debt	129,769	100,106
Travel and meetings	116,582	68,744
Office and administration	78,545	77,487
Insurance	76,666	67,946
Professional development	45,479	61,087
Memberships	22,340	23,071
Banking and other service fees	6,750	5,641
Advertising and promotion	6,110	1,020
	8,845,694	8,518,783
Excess of revenue over expenses	\$ 146,753	\$ 183,704

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

	Invested in Property and Equipment	Unrestricted	2022 Total	2021 Total
Net assets - beginning of year	\$ 4,516,150	\$ 721,364	\$ 5,237,514	\$ 5,053,810
Excess (deficiency) of revenue over expenses	(350,327)	497,080	146,753	183,704
Net activities of property and equipment	(97,631)	97,631	-	-
Repayment of principal on callable debt	192,188	(192,188)	-	-
Net assets - end of year	\$ 4,260,380	\$ 1,123,887	\$ 5,384,267	\$ 5,237,514

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

	2022	2021
Operating activities		
Cash receipts from operations	\$ 8,381,077	\$ 8,220,697
Cash paid to suppliers and employees	(8,051,480)	(7,592,270)
Interest received	20,645	3,413
Interest paid	<u>(129,769)</u>	<u>(100,106)</u>
Cash flow from operating activities	220,473	531,734
Investing activities		
Purchase of property and equipment	(101,453)	(109,596)
Purchase of investments	(300,000)	(300,000)
Proceeds from sale of investments	<u>300,000</u>	<u>-</u>
Cash flow used by investing activities	(101,453)	(409,596)
Financing activities		
Contributions received for purchase of property and equipment	199,084	97,345
Repayment of callable debt	<u>(193,452)</u>	<u>(365,694)</u>
Cash flow from (used by) financing activities	5,632	(268,349)
Increase (decrease) in cash flow	124,652	(146,211)
Cash - beginning of year	883,860	1,030,071
Cash - end of year	\$ 1,008,512	\$ 883,860

CALGARY JOHN HOWARD SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

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, 2022

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. Short term investments

Short term investments are comprised of Guaranteed Investment Certificates ("GICs") with maturity dates of September to December 2023 (2021 - December 2022). These GICs carry an interest rate of 1.30% to 5.20% (2021 - 0.75%).

4. Property and equipment

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 2,189,066	\$ -	\$ 2,189,066	\$ 2,189,066
Buildings (a)	14,579,083	3,870,812	10,708,271	11,343,001
Equipment	384,842	368,774	16,068	29,222
Furniture and textiles	60,516	42,361	18,155	30,258
Total property and equipment	\$ 17,213,507	\$ 4,281,947	\$ 12,931,560	\$ 13,591,547

a) Included in the Society's property and equipment is a building with a carrying value of \$807,502 as at December 31, 2022 (2021: \$876,895), which was recorded at its fair value as at the date of acquisition. The original acquisition of the building was funded 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.

CALGARY JOHN HOWARD SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

5. Long term investments

Investments are comprised of Guaranteed Investment Certificates ("GICs") with maturity dates of March - June 2024 (2021 - December 2023). These GICs carry an interest rate of 5.15% to 5.17% (2021 - 1.3%).

6. Callable debt

	2022	2021
Alberta Treasury Branches term loan to assist with the purchase of properties, at prime plus 1.00% per annum. The principal is due on June 30, 2023. The loan is secured against the building noted in Note 4(a).	\$ 445,995	\$ 489,386
Alberta Treasury Branches term loan to assist with the construction of the Builders Road building, at prime plus 1.00% per annum.	<u>1,983,854</u>	<u>2,133,915</u>
	<u>\$ 2,429,849</u>	<u>\$ 2,623,301</u>

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.

During the year, the debt balances were renewed with ATB. The maturity date on the debt balance of \$445,995 (2021 - \$489,386) was extended to June 30, 2023. The debt balance of \$1,983,854 (2021 - \$2,133,915) remains due on demand. The remaining terms of the debt balances are unchanged.

CALGARY JOHN HOWARD SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

7. Deferred contributions

	2022	2021
Deferred contributions related to property and equipment		
Balance, beginning of year	\$ 6,452,096	\$ 6,789,050
Add: received during the year	199,084	97,345
Less: recognized as revenue during the year	<u>(411,112)</u>	<u>(434,299)</u>
Balance, end of year	6,240,068	6,452,096
Deferred contributions related to operations		
Balance, beginning of year	727,578	549,472
Add: received during the year	4,024,230	4,395,421
Less: recognized as revenue during the year	<u>(4,325,857)</u>	<u>(4,217,315)</u>
Balance, end of year	425,951	727,578
Total deferred contributions	\$ 6,666,019	\$ 7,179,674

8. City of Calgary grants

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

	2022	2021
City of Calgary - Kisisskstaki Ikamotaan	\$ 107,246	\$ 74,610
City of Calgary - Immigrant Youth Advocacy	84,000	84,000
City of Calgary - Youth Occupational Therapist	78,227	-
City of Calgary - Human Resources Framework	25,000	-
City of Calgary - Capacity Building & Emerging Issues	-	21,565
City of Calgary - COVID-19 grant	-	2,500
	\$ 294,473	\$ 182,675

The City of Calgary provided \$90,928 (2021: \$90,928) to the Kisisskstaki Ikamotaan program during the year. At year-end a revenue balance of \$107,246 (2021: \$74,610) was recognized during the year as the funding was utilized against eligible expenses as incurred leaving a deferred balance of \$nil (2021: \$16,319).

The City of Calgary provided \$99,000 (2021: \$nil) to the Youth Occupational Therapist program during the year. At year-end a revenue balance of \$78,227 (2021: \$nil) was recognized during the year as the funding was utilized against eligible expenses as incurred leaving a deferred balance of \$20,773 (2021: \$nil).

9. 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, 2022, the Society has utilized \$nil of the line of credit (2021: \$nil).

CALGARY JOHN HOWARD SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

10. 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, 2022.

(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.

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.
