

Financial Statements of

INITIATIVES FOR JUST COMMUNITIES INC.

March 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board Members of
Initiatives for Just Communities Inc.

We have audited the accompanying financial statements of Initiatives for Just Communities Inc., which comprise the statement of financial position as at March 31, 2015, and the summary statement of operations, and statements of changes in fund balances and cash flows for the year then ended and the notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Initiatives for Just Communities Inc. as at March 31, 2015, 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.

Other Matters

The financial statements of Initiatives for Just Communities Inc. for the year ended March 31, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on May, 23, 2014.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Accountants

June 16, 2015
Winnipeg, Manitoba

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Initiatives for Just Communities Inc.
Summary Statement of Operations
Year Ended March 31, 2015

	2015		2014
	Budget	Actual	Actual
REVENUE			
Provincial Funding			
CoSA	\$ 73,000	\$ 73,000	\$ 34,195
El'dad Ranch	941,233	979,255	823,346
Touchstone	410,737	443,017	411,136
Federal Funding			
CoSA	48,684	49,762	72,901
Open Circle	6,171	6,171	-
Transferred to deferred revenue	-	-	(11,156)
Donations and fundraising	74,021	56,100	52,538
Resource Generation	86,072	57,393	68,336
MCC Manitoba contributions (Note 7)	203,068	219,402	213,756
Private Funder	-	29,253	3,000
Other revenue	19,048	26,478	30,888
Non-IJC Funding	55,000	58,130	60,304
	1,917,034	1,997,961	1,759,244
EXPENDITURES			
Program expenses			
Salaries and benefits	1,246,583	1,217,588	945,655
Other program expenses	426,625	383,873	609,478
Administration	215,047	204,780	124,758
Facilities and technology	37,826	39,398	48,592
Fundraising	3,300	4,693	6,463
	1,929,381	1,850,332	1,734,946
EXCESS REVENUE OVER			
EXPENDITURES	\$ (12,347)	\$ 147,629	\$ 24,298

INITIATIVES FOR JUST COMMUNITIES INC.
STATEMENT OF CHANGES IN FUND BALANCES
Year Ended March 31, 2015

	2015		2014	
	Operating Fund	Capital Fund	Operating Fund	Capital Fund
Fund balance, beginning of year	\$ 141,402	\$ 350,712	\$ 123,620	\$ 308,628
Excess Revenue (Expenditures)				
Operating Fund - operations	147,629	-	24,298	-
Capital Fund - amortization	-	(36,789)	-	(35,409)
Capital assets expensed in operations	-	-	70,977	-
Capital assets additions	(1,098)	1,098	(90,940)	90,940
Proceeds from long term debt	-	-	16,574	(16,574)
Principal repayments	(6,302)	6,302	(3,127)	3,127
Fund Balance, end of year	\$ 281,631	\$ 321,323	\$ 141,402	\$ 350,712

INITIATIVES FOR JUST COMMUNITIES INC.

Statement of Financial Position

March 31, 2015

	<u>2015</u>	<u>2014</u>
OPERATING FUND		
ASSETS		
Cash	\$ 181,090	\$ 125,003
Accounts receivable	184,401	111,494
Inventory	27,782	16,694
Prepaid expenses	14,164	-
	407,437	253,191
CAPITAL FUND		
Capital assets (Note 3)	423,441	459,132
	\$ 830,878	\$ 712,323

LIABILITIES AND FUND BALANCES

OPERATING FUND		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 68,193	\$ 28,239
Government remittances payable	3,926	4,481
Accrued vacation payable	20,905	21,973
Deferred revenue	19,382	43,696
Working capital advance payable (Note 4)	13,400	13,400
	125,806	111,789
OPERATING FUND BALANCE	281,631	141,402
	407,437	253,191
CAPITAL FUND		
LIABILITIES		
Mortgage payable (Note 5)	88,621	91,846
Vehicle loan (Note 5)	13,497	16,574
	102,118	108,420
CAPITAL FUND BALANCE	321,323	350,712
	423,441	459,132
TOTAL FUND BALANCE	\$ 830,878	\$ 712,323

APPROVED BY THE BOARD

..... Director

..... Director

INITIATIVES FOR JUST COMMUNITIES INC.
STATEMENT OF CASH FLOWS
Year Ended March 31, 2015

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATIONS		
Excess revenue (expenditures)		
Operating fund - operations	\$ 147,629	\$ 24,298
Capital fund - amortization	(36,790)	(35,409)
Items not affecting cash:		
Capital asset additions expensed in operations	-	70,977
Amortization	36,790	35,409
	<u>147,629</u>	<u>95,275</u>
Changes in non-cash working capital balances		
Accounts receivable	(72,907)	3,041
Inventory	(11,088)	5,816
Prepaid expenses	(14,164)	-
Accounts payable	39,954	18,229
Government remittances payable	(555)	-
Accrued vacation payable	(1,068)	112
Deferred revenue	(24,314)	(37,832)
	<u>63,487</u>	<u>84,641</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of capital asset	(1,098)	(90,940)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of long term debt	-	16,574
Repayment of longterm debt	(6,302)	(3,127)
	<u>(6,302)</u>	<u>13,447</u>
NET INCREASE IN CASH POSITION	56,087	7,148
CASH POSITION, AT BEGINNING OF YEAR	125,003	117,855
CASH POSITION, AT END OF YEAR	\$ 181,090	\$ 125,003

INITIATIVES FOR JUST COMMUNITIES INC.

Notes to the Financial Statements

March 31, 2015

1. PURPOSE OF THE ORGANIZATION

Initiatives for Just Communities Inc. was established as a separate program of the Mennonite Central Committee Manitoba Inc. effective April 1, 2011. Prior to this date Open Circle, FASD and Circles of Support and Accountability (CoSA) were departments within Mennonite Central Committee Manitoba Inc. The El'Dad Ranch was also previously a separate program of Mennonite Central Committee Manitoba Inc. and is now also part of Initiatives for Just Communities Inc. El'Dad Ranch is a residential and vocational facility located near Steinbach, Manitoba which focuses on providing care and support for men with intellectual disabilities who have been in conflict with the law.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

a) *Fund Accounting*

The Organization accounts for its operations using the following funds:

- Operating – accounts for unrestricted assets and liabilities that are used to support ongoing operations and to aid in ongoing projects approved by the Board of Directors and management.
- Capital – accounts for assets, liabilities, revenues and expenditures related to capital assets.

b) *Revenue Recognition*

Revenue is recognized on an accrual basis, when receivable, with the exception of donations which are recognized when received. Revenues related to future fiscal years are deferred and recognized in the period in which the related expenditures are incurred.

c) *Capital Assets*

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded using the declining balance method at the following rates:

Buildings	5%
Furniture	10%
Equipment	20%
Vehicles	30%

Amortization on computer equipment is recorded on a straight-line basis over four years.

INITIATIVES FOR JUST COMMUNITIES INC.

Notes to the Financial Statements

March 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *Inventories*

Inventories of unprocessed and corded wood are valued at the lower of cost and net realizable value.

e) *Financial Instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

With respect to financial assets measured at cost or amortized cost, the Organization recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

f) *Income Tax*

The Organization was established as a not-for-profit organization and is registered as a charity for purposes of the Income Tax Act (Canada), and as such is not subject to income tax on its net revenue.

g) *Use of Estimates*

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from management's best estimates. These financial statements include significant estimates relating to the estimated useful life of capital assets.

INITIATIVES FOR JUST COMMUNITIES INC.

Notes to the Financial Statements

March 31, 2015

3. CAPITAL ASSETS

	2015			2014
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 20,000	\$ -	\$ 20,000	\$ 20,000
Buildings - El 'Dad	396,046	187,356	208,690	221,328
Buildings - I.J.C.	156,426	14,600	141,826	147,637
Furniture	11,703	5,845	5,858	6,781
Equipment	92,025	79,177	12,848	16,059
Computers	12,472	4,677	7,795	10,913
Vehicles - El 'Dad	71,919	63,597	8,322	11,888
Vehicles - I.J.C.	35,896	17,792	18,104	24,526
	\$ 796,487	\$ 373,044	\$ 423,443	\$ 459,132

Included in the Organization's capital assets is the carrying value of the land and buildings at 39136 Ridgewood Road in the RM of Ste. Anne, Manitoba which has been provided to the Organization by MCC Manitoba for its operational use and beneficial interest at a nominal annual lease amount. The lease expires March 31, 2018.

4. WORKING CAPITAL ADVANCE PAYABLE

The Province of Manitoba has provided a Working Capital Advance to the Initiatives for Just Communities Inc. of \$13,400 (2014 - \$13,400). This advance bears no interest or fixed terms of repayment.

5. LONG TERM DEBT

	2015	2014
Mortgage payment, annual rate of 3.09%, repayable in monthly blended principal and interest payments of \$500, maturing November 2017, secured by land and building	\$ 88,621	\$ 91,846
Vehicle loan, 0% annual rate as long as monthly payments of \$237 are made when due, maturing August 2020	13,497	16,574
	\$ 102,118	\$ 108,420

The estimated principal repayments over the next five years are as follows:

2016	\$ 6,147
2017	6,250
2018	84,744
2019	2,840
2020	2,138

INITIATIVES FOR JUST COMMUNITIES INC.

Notes to the Financial Statements

March 31, 2015

6. ECONOMIC DEPENDENCE

Initiatives for Just Communities Inc. is economically dependent on the Province of Manitoba – Family Services, National Crime Prevention Council and the Mennonite Central Committee Manitoba Inc.

7. RELATED PARTY TRANSACTIONS

The directors of Initiatives for Just Communities Inc. (“IJC”) are appointed subject to approval of the directors of Mennonite Central Committee Manitoba Inc. (“MCC Manitoba”). Accordingly, IJC is considered a controlled entity for financial reporting purposes and is accounted for by MCC Manitoba on an equity basis.

During the year ended March 31, 2015, IJC received \$219,204 in contributions (2014 - \$213,756) from MCC Manitoba for various programs administered by IJC.

8. FINANCIAL RISKS

a) *Interest rate risk*

Interest rate risk is the risk to the Organization's earnings that arises from fluctuations in interest rates and the degree of volatility of those rates. Long-term debt bears interest at fixed rates and therefore is not impacted by short term changes in the variable rates.

b) *Credit risk*

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Organization is exposed to credit risk relating to its accounts receivables.

9. BUDGET FIGURES

Budget figures are unaudited and have been provided for information purposes only.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

INITIATIVES FOR JUST COMMUNITIES INC.
SUMMARY OF COST CENTRE OPERATIONS
Year Ended March 31, 2015

	2015						
	Touchstone FASD Program	Circles of Support and Accountability	Open Circle	El'Dad Ranch	Resource Generation	Inter- program eliminations	Total
Revenue	\$ 515,931	\$ 137,074	\$ 56,210	\$ 1,259,269	\$ 263,920	\$ (234,443)	\$ 1,997,961
Expenditures	516,839	145,903	142,796	1,230,507	48,730	(234,443)	1,850,332
Excess Revenue (Expenditures) before MCC Manitoba Contributions	(908)	(8,829)	(86,586)	28,762	215,190	-	147,629
MCC Manitoba Contributions	908	7,154	88,522	-	(96,584)	-	-
Excess Revenue (Expenditures)	\$ -	\$ (1,675)	\$ 1,936	\$ 28,762	\$ 118,606	\$ -	\$ 147,629

	2014						
	Touchstone FASD Program	Circles of Support and Accountability	Open Circle	El'Dad Ranch	Resource Generation	Inter- program eliminations	Total
Revenue	\$ 488,155	\$ 113,787	\$ 23,980	\$ 1,078,600	\$ 249,434	\$ (194,712)	\$ 1,759,244
Expenditures	541,306	173,616	133,888	1,047,793	33,055	(194,712)	1,734,946
Excess Revenue (Expenditures) before MCC Manitoba Contributions	(53,151)	(59,829)	(109,908)	30,807	216,379	-	24,298
MCC Manitoba Contributions	47,349	58,446	107,960	-	(213,755)	-	-
Excess Revenue (Expenditures)	\$ (5,802)	\$ (1,383)	\$ (1,948)	\$ 30,807	\$ 2,624	\$ -	\$ 24,298