

Financial Statements of
INITIATIVES FOR JUST COMMUNITIES INC.

March 31, 2017

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, 2017, 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, 2017, 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.



Chartered Professional Accountants

June 12, 2017
Winnipeg, Manitoba

TABLE OF CONTENTS

	<u>Page</u>
Summary Statement of Operations	1
Statement of Changes in Fund Balances	2
Statement of Financial Position	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 – 8
Summary of Cost Centre Operations	9

INITIATIVES FOR JUST COMMUNITIES INC.
Summary Statement of Operations
Year Ended March 31, 2017

	2017		2016
	Budget (Note 9)	Actual	Actual
REVENUE			
Provincial Funding			
CoSA	\$ 73,000	\$ 69,400	\$ 73,200
El'dad Ranch	2,083,421	2,068,995	1,522,817
Touchstone	497,004	584,525	468,424
Federal Funding			
CoSA	-	-	40
Open Circle	46,000	29,993	22,298
Public Trustee	2,640	3,414	3,046
Donations and fundraising	45,000	57,181	68,611
Resource Generation	54,949	59,479	52,758
MCC Manitoba contributions (Note 7)	182,756	180,000	191,250
Private Funder	6,900	-	6,000
Other revenue	25,427	33,845	26,161
Non-IJC Funding	-	-	53,344
	3,017,097	3,086,832	2,487,949
EXPENDITURES			
Program expenses			
Salaries and benefits	2,275,229	2,163,803	1,688,612
Other program expenses	387,219	551,024	404,374
Administration	264,305	266,023	241,560
Facilities and technology	85,244	89,514	62,759
Fundraising	5,100	1,484	5,816
	3,017,097	3,071,848	2,403,121
EXCESS REVENUE OVER			
EXPENDITURES - OPERATING FUND	-	14,984	84,828
AMORTIZATION - CAPITAL FUND			
		(28,646)	(32,273)
(DEFICIENCY) EXCESS OF REVENUE			
OVER EXPENDITURES		\$ (13,662)	\$ 52,555

INITIATIVES FOR JUST COMMUNITIES INC.

Statement of Changes in Fund Balances

Year Ended March 31, 2017

	2017		2016	
	Operating Fund	Capital Fund	Operating Fund	Capital Fund
Fund balance, beginning of year	\$ 357,790	\$ 297,719	\$ 281,631	\$ 321,323
Excess Revenue (Expenditures)				
Operating Fund - operations	14,984	-	84,828	-
Capital Fund - amortization	-	(28,646)	-	(32,273)
Capital assets additions	-	-	(2,513)	2,513
Principal repayments	(6,277)	6,277	(6,156)	6,156
Fund Balance, end of year	\$ 366,497	\$ 275,350	\$ 357,790	\$ 297,719

INITIATIVES FOR JUST COMMUNITIES INC.
Statement of Financial Position
March 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
OPERATING FUND		
ASSETS		
Cash	\$ 535,508	\$ 313,210
Accounts receivable	193,287	278,649
Inventory	44,304	29,549
Prepaid expenses	20,023	22,199
	<u>793,122</u>	<u>643,607</u>
CAPITAL FUND		
Capital assets (Note 3)	365,035	393,681
	<u>\$ 1,158,157</u>	<u>\$ 1,037,288</u>
LIABILITIES AND FUND BALANCES		
OPERATING FUND		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 160,023	\$ 129,461
Government remittances payable	2,243	21,956
Accrued vacation payable	42,846	33,914
Deferred revenue	208,113	87,086
Working capital advance payable (Note 4)	13,400	13,400
	<u>426,625</u>	<u>285,817</u>
OPERATING FUND BALANCE	<u>366,497</u>	<u>357,790</u>
	<u>793,122</u>	<u>643,607</u>
CAPITAL FUND		
LIABILITIES		
Mortgage payable (Note 5)	81,867	85,304
Vehicle loan (Note 5)	7,818	10,658
	<u>89,685</u>	<u>95,962</u>
CAPITAL FUND BALANCE	<u>275,350</u>	<u>297,719</u>
	<u>365,035</u>	<u>393,681</u>
TOTAL FUND BALANCE	<u>\$ 1,158,157</u>	<u>\$ 1,037,288</u>

APPROVED BY THE BOARD

..... Director

..... Director

INITIATIVES FOR JUST COMMUNITIES INC.

Statement of Cash Flows

Year Ended March 31, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATIONS		
Excess revenue (expenditures):		
Operating fund - operations	\$ 14,984	\$ 84,828
Capital fund - amortization	(28,646)	(32,273)
Item not affecting cash:		
Amortization	28,646	32,273
	<u>14,984</u>	<u>84,828</u>
Changes in non-cash working capital balances:		
Accounts receivable	85,362	(94,248)
Inventory	(14,755)	(1,767)
Prepaid expenses	2,176	(8,035)
Accounts payable and accrued liabilities	30,562	61,413
Government remittances payable	(19,713)	17,885
Accrued vacation payable	8,932	13,009
Deferred revenue	121,027	67,704
	<u>228,575</u>	<u>140,789</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of capital asset	-	(2,513)
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of long-term debt	(6,277)	(6,156)
NET INCREASE IN CASH POSITION	222,298	132,120
CASH POSITION, BEGINNING OF YEAR	313,210	181,090
CASH POSITION, END OF YEAR	\$ 535,508	\$ 313,210

INITIATIVES FOR JUST COMMUNITIES INC.
Notes to the Financial Statements
March 31, 2017

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 and women with intellectual disabilities, some of whom 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*

The Organization follows the deferral method of accounting for contributions which includes funding from both government and non-government sources.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenditure is recognized. Contributions restricted for purchases of capital assets are deferred and amortized into revenue at the same rate as the corresponding capital asset.

Revenue relating to sales is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

INITIATIVES FOR JUST COMMUNITIES INC.

Notes to the Financial Statements

March 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2017

3. CAPITAL ASSETS

	2017			2016
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 20,000	\$ -	\$ 20,000	\$ 20,000
Buildings - El 'Dad	396,046	207,706	188,340	198,255
Buildings - I.J.C.	156,426	28,428	127,998	134,735
Furniture	11,703	7,228	4,475	5,105
Equipment	92,025	83,803	8,222	10,278
Computers	12,472	10,913	1,559	4,677
Vehicles - El 'Dad	74,430	68,859	5,571	7,959
Vehicles - I.J.C.	35,896	27,026	8,870	12,672
	\$ 798,998	\$ 433,963	\$ 365,035	\$ 393,681

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 (2016 - \$13,400). This advance bears no interest or fixed terms of repayment.

5. LONG TERM DEBT

	2017	2016
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	\$ 81,867	\$ 85,304
Vehicle loan, 0% annual rate as long as monthly payments of \$237 are made when due, maturing August 2020	7,818	10,658
	\$ 89,685	\$ 95,962

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

2018	\$ 84,707
2019	2,840
2020	2,138

INITIATIVES FOR JUST COMMUNITIES INC.

Notes to the Financial Statements

March 31, 2017

6. ECONOMIC DEPENDENCE

Initiatives for Just Communities Inc. is economically dependent on the Province of Manitoba – Family Services and Provincial Special Needs Program and the Mennonite Central Committee Manitoba Inc. for the majority of its funding.

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, 2017, IJC received \$180,000 in contributions (2016 - \$191,250) 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.

INITIATIVES FOR JUST COMMUNITIES INC.
Summary of Cost Centre Operations
Year Ended March 31, 2017

2017

	Touchstone FASD Program	Circles of Support and Accountability	Open Circle	EI'Dad Ranch	Resource Generation	Inter-program eliminations	Total
Revenue	\$ 593,628	\$ 79,784	\$ 42,232	\$ 2,127,085	\$ 235,409	\$ 8,694	\$ 3,086,832
Expenditures	593,628	123,329	199,649	2,099,087	47,461	8,694	3,071,848
Excess Revenue (Expenditures) before MCC Manitoba Contributions	-	(43,545)	(157,417)	27,998	187,948	-	14,984
MCC Manitoba Contributions	-	43,545	144,403	-	(187,948)	-	-
Excess Revenue (Expenditures)	\$ -	\$ -	\$ (13,014)	\$ 27,998	\$ -	\$ -	\$ 14,984

2016

	Touchstone FASD Program	Circles of Support and Accountability	Open Circle	EI'Dad Ranch	Resource Generation	Inter-program eliminations	Total
Revenue	\$ 540,832	\$ 85,940	\$ 39,837	\$ 1,594,596	\$ 226,744	\$ -	\$ 2,487,949
Expenditures	544,135	132,177	167,393	1,552,461	6,955	-	2,403,121
Excess Revenue (Expenditures) before MCC Manitoba Contributions	(3,303)	(46,237)	(127,556)	42,135	219,789	-	84,828
MCC Manitoba Contributions	3,303	46,237	127,556	-	(177,096)	-	-
Excess Revenue (Expenditures)	\$ -	\$ -	\$ -	\$ 42,135	\$ 42,693	\$ -	\$ 84,828