

Financial Statements of

INITIATIVES FOR JUST COMMUNITIES INC.

March 31, 2018

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, 2018, 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, 2018, 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 14, 2018
Winnipeg, Manitoba

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INITIATIVES FOR JUST COMMUNITIES INC.

Summary Statement of Operations

Year Ended March 31, 2018

	2018		2017
	Budget (Note 11)	Actual	Actual
REVENUE			
Provincial Funding			
CoSA	\$ 29,200	\$ 20,800	\$ 69,400
El'dad Ranch	2,359,328	2,515,636	2,068,995
Touchstone	598,933	641,940	584,525
Federal Funding			
CoSA	86,000	86,000	-
Open Circle	47,000	33,058	29,993
Public Trustee	3,314	2,720	3,414
Donations and fundraising	53,000	45,018	57,181
Resource Generation	65,466	91,915	61,739
MCC Manitoba contributions (Note 8)	171,000	168,750	180,000
Recognition of deferred revenue	-	6,513	-
Other revenue	15,589	37,564	31,585
	3,428,830	3,649,914	3,086,832
EXPENDITURES			
Program expenses			
Salaries and benefits	2,517,079	2,536,203	2,163,803
Other program expenses	462,686	671,125	551,024
Administration	355,142	330,584	266,023
Facilities and technology	33,108	16,042	89,514
Fundraising	4,000	1,362	1,484
	3,372,015	3,555,316	3,071,848
EXCESS REVENUE OVER			
EXPENDITURES - OPERATING FUND	56,815	94,598	14,984
CAPITAL FUND			
RECOGNITION OF DEFERRED CONTRIBUTIONS		7,346	-
GAIN ON DISPOSAL OF CAPITAL ASSETS		13,453	-
AMORTIZATION		(46,947)	(28,646)
DEFICIENCY OF REVENUE OVER			
EXPENDITURES - CAPITAL FUND		(26,148)	(28,646)
EXCESS (DEFICIENCY) OF REVENUE			
OVER EXPENDITURES		\$ 68,450	\$ (13,662)

INITIATIVES FOR JUST COMMUNITIES INC.

Statement of Changes in Fund Balances

Year Ended March 31, 2018

	2018		2017	
	Operating Fund	Capital Fund	Operating Fund	Capital Fund
Fund balance, beginning of year	\$ 366,497	\$ 275,350	\$ 357,790	\$ 297,719
Excess Revenue (Expenditures)				
Operating Fund - operations	94,598	-	14,984	-
Capital Fund	-	(26,148)	-	(28,646)
Designated contributions to acquire a non-depreciable asset	-	135,000	-	-
Interfund transfers	28,756	(28,756)	(6,277)	6,277
Fund Balance, end of year	\$ 489,851	\$ 355,446	\$ 366,497	\$ 275,350

INITIATIVES FOR JUST COMMUNITIES INC.

Statement of Financial Position

March 31, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
OPERATING FUND		
ASSETS		
Cash	\$ 152,340	\$ 535,551
Accounts receivable	481,649	193,287
Inventory	55,522	44,304
Prepaid expenses	27,471	20,023
	716,982	793,165
CAPITAL FUND		
Capital assets (Note 3)	863,720	365,035
	\$ 1,580,702	\$ 1,158,200
LIABILITIES AND FUND BALANCES		
OPERATING FUND		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 171,518	\$ 160,066
Government remittances payable	3,480	2,243
Accrued vacation payable	28,639	42,846
Deferred revenue	23,494	208,113
Working capital advance payable	-	13,400
	227,131	426,668
OPERATING FUND BALANCE (Note 7)	489,851	366,497
	716,982	793,165
CAPITAL FUND		
LIABILITIES		
Deferred contributions (Note 5)	38,772	-
Mortgage payable (Note 6)	464,288	81,867
Vehicle loan (Note 6)	5,214	7,818
	508,274	89,685
CAPITAL FUND BALANCE	355,446	275,350
	863,720	365,035
TOTAL FUND BALANCE	\$ 1,580,702	\$ 1,158,200

APPROVED BY THE BOARD

..... Director

..... Director

INITIATIVES FOR JUST COMMUNITIES INC.

Statement of Cash Flows

Year Ended March 31, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATIONS		
Excess revenue (expenditures):		
Operating fund - operations	\$ 94,598	\$ 14,984
Capital fund	(26,148)	(28,646)
Item not affecting cash:		
Amortization	46,947	28,646
Gain on disposal of capital assets	(13,453)	-
Recognition of deferred contributions	(7,346)	-
	<u>94,598</u>	<u>14,984</u>
Changes in non-cash working capital balances:		
Accounts receivable	(288,362)	85,362
Inventory	(11,218)	(14,755)
Prepaid expenses	(7,448)	2,176
Accounts payable and accrued liabilities	11,452	30,839
Government remittances payable	1,237	(19,713)
Accrued vacation payable	(14,207)	8,932
Deferred revenue	(49,619)	121,027
	<u>(263,567)</u>	<u>228,852</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of capital assets	143,188	-
Purchase of capital assets	(675,367)	-
	<u>(532,179)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of long term debt	470,000	-
Repayment of long-term debt	(90,183)	(6,277)
Repayment of working capital advance payable	(13,400)	-
Receipt of deferred contributions	46,118	-
	<u>412,535</u>	<u>(6,277)</u>
NET (DECREASE) INCREASE IN CASH POSITION	(383,211)	222,575
CASH POSITION, BEGINNING OF YEAR	535,551	312,976
CASH POSITION, END OF YEAR	\$ 152,340	\$ 535,551

INITIATIVES FOR JUST COMMUNITIES INC.

Notes to the Financial Statements

March 31, 2018

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, 2018

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. Leasehold improvements are amortized over the term of the underlying lease.

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, 2018

3. CAPITAL ASSETS

	2018			2017
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 155,000	\$ -	\$ 155,000	\$ 20,000
Buildings - El 'Dad	396,046	217,120	178,926	188,340
Buildings - IJC	513,857	21,677	492,180	127,998
Leasehold Improvements - IJC	22,038	7,346	14,692	-
Furniture	11,703	7,760	3,943	4,475
Equipment	96,425	85,887	10,538	8,222
Computers	12,472	12,472	-	1,559
Vehicles - El 'Dad	74,430	70,531	3,899	5,571
Vehicles - IJC	25,974	21,432	4,542	8,870
	\$ 1,307,945	\$ 444,225	\$ 863,720	\$ 365,035

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 is set to expire March 31, 2021.

4. BANK INDEBTEDNESS

The Organization has an operating line of credit available up to \$25,000. The operating line bears interest at the Standard Rate of Interest of the Credit Union plus 3% per annum. At March 31, 2018, there were no drawings on this facility.

Security for this line of credit is documented in Note 5.

5. DEFERRED CONTRIBUTIONS - CAPITAL

	2018	2017
Deferred contributions – capital		
Beginning of year	\$ -	\$ -
Contributions received	46,118	-
Amounts recognized as revenue	(7,346)	-
	\$ 38,772	\$ -

Deferred contributions have been received have been received for capital projects and will be amortized into revenue over the useful life of the related capital asset.

INITIATIVES FOR JUST COMMUNITIES INC.
Notes to the Financial Statements
March 31, 2018

6. LONG TERM DEBT

	<u>2018</u>	<u>2017</u>
SCU mortgage, on demand, bearing interest at the annual rate of 3.79%, repayable in monthly blended principal and interest payments of \$2,850, maturing September 2022, secured by land and building	\$ 464,288	\$ -
CCU mortgage payment, annual rate of 3.09%	-	81,867
Vehicle loan, 0% annual rate as long as monthly payments of \$237 are made when due, maturing August 2020	5,214	7,818
	<u>\$ 469,502</u>	<u>\$ 89,685</u>

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

2019	\$ 19,726
2020	19,688
2021	18,214
2022	18,916
2023	392,958

Security for the Steinbach Credit Union line of credit and mortgage is provided through a general security agreement, a demand promissory note in the amount of \$470,000, first charge on the property located at 315 HWY 52, Mitchell, and registered first charge over all present and future assets of the borrower.

7. OPERATING FUND NET ASSETS

Included in the Operating Fund Net Assets is \$353,794 (2017 - \$284,189) related to the El'Dad Ranch program. These net assets are restricted for use in this program by the funder. The remainder of the Operating Fund Net Assets are unrestricted.

8. 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.

INITIATIVES FOR JUST COMMUNITIES INC.
Notes to the Financial Statements
March 31, 2018

9. 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, 2018, IJC received \$168,750 in contributions (2017 - \$180,000) from MCC Manitoba for various programs administered by IJC.

10. 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.

11. 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, 2018

	2018							
	Touchstone FASD Program	Circles of Support and Accountability	Open Circle	El'Dad Ranch	Resource Generation	Inter- program eliminations	Total	
Revenue	\$ 656,467	\$ 111,493	\$ 42,548	\$ 2,526,699	\$ 355,880	\$ (43,173)	\$ 3,649,914	
Expenditures	688,077	129,038	191,435	2,457,094	132,845	(43,173)	3,555,316	
Excess Revenue (Expenditures) before MCC Manitoba Contributions	(31,610)	(17,545)	(148,887)	69,605	223,035	-	94,598	
MCC Manitoba Contributions	-	20,833	147,917	-	(168,750)	-	-	
Excess Revenue (Expenditures)	\$ (31,610)	\$ 3,288	\$ (970)	\$ 69,605	\$ 54,285	\$ -	\$ 94,598	

	2017							
	Touchstone FASD Program	Circles of Support and Accountability	Open Circle	El'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	