

Financial Statements of

INITIATIVES FOR JUST COMMUNITIES INC.

March 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board Members of
Initiatives for Just Communities Inc.

Opinion

We have audited the accompanying financial statements of Initiatives for Just Communities Inc., which comprise the statement of financial position as at March 31, 2019, 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.

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, 2019, 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 ("ASNPO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 Company'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 either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the 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 GAAS 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 GAAS, 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 Company'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 Company'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 Company 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.

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

Chartered Professional Accountants
Winnipeg, Manitoba

July 31, 2019

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INITIATIVES FOR JUST COMMUNITIES INC.

Summary Statement of Operations

Year Ended March 31, 2019

	2019		2018
	Budget (Note 11)	Actual	Actual
REVENUE			
Provincial Funding			
Department of Families			
CoSA	\$ -	\$ -	\$ 20,800
El'dad Ranch	2,926,448	2,790,910	2,515,636
Touchstone - FASD	678,593	648,929	611,940
Department of Education and Training			
Touchstone - Vision and Voices	30,000	30,600	30,000
Federal Funding			
CoSA	80,000	83,055	86,000
Open Circle	33,600	43,680	33,058
Public Trustee	3,264	1,000	2,720
Donations and fundraising	53,118	40,081	45,018
Resource Generation	80,507	97,189	91,915
MCC Manitoba contributions (Note 9)	170,000	170,000	168,750
Recognition of deferred revenue	-	11,119	6,513
Other revenue	7,215	32,891	37,564
	4,062,745	3,949,454	3,649,914
EXPENDITURES			
Program expenses			
Salaries and benefits	2,524,848	2,759,225	2,536,203
Other program expenses	1,253,698	807,302	748,998
Administration	229,045	247,667	252,711
Facilities and technology	23,154	32,095	16,042
Fundraising	2,000	3,823	1,362
	4,032,745	3,850,112	3,555,316
EXCESS REVENUE OVER			
EXPENDITURES - OPERATING FUND	30,000	99,342	94,598
CAPITAL FUND			
Recognition of deferred contributions		12,162	7,346
(Loss) gain on disposal of capital assets		(1,000)	13,453
Amortization	(30,000)	(48,403)	(46,947)
DEFICIENCY OF REVENUE OVER			
EXPENDITURES - CAPITAL FUND	(30,000)	(37,241)	(26,148)
EXCESS OF REVENUE			
OVER EXPENDITURES	\$ -	\$ 62,101	\$ 68,450

INITIATIVES FOR JUST COMMUNITIES INC.

Statement of Changes in Fund Balances

Year Ended March 31, 2019

	2019			
	Operating Fund (Unrestricted)	Operating Fund (Restricted) (Note 7)	Total Operating Fund	Capital Fund
Fund balance, beginning of year	\$ 132,769	\$ 357,082	\$ 489,851	\$ 355,446
Excess Revenue (Expenditures)				
Operating Fund - operations	85,219	14,123	99,342	-
Capital Fund	-	-	-	(37,241)
Interfund transfers (Note 7)				
Capital	(28,089)	(11,049)	(39,138)	39,138
MCC Contributions	(52,201)	52,201	-	-
Fund Balance, end of year	\$ 137,698	\$ 412,357	\$ 550,055	\$ 357,343

	2018			
	Operating Fund (Unrestricted)	Operating Fund (Restricted) (Note 7)	Total Operating Fund	Capital Fund
Fund balance, beginning of year	\$ 82,308	\$ 284,189	\$ 366,497	\$ 275,350
Excess Revenue (Expenditures)				
Operating Fund - operations	74,148	20,450	94,598	-
Capital Fund	-	-	-	(26,148)
Designated contributions to acquire a non-depreciable asset	-	-	-	135,000
Interfund transfers (Note 7)				
Capital	28,756	-	28,756	(28,756)
MCC contributions	(20,833)	20,833	-	-
Operating	(31,610)	31,610	-	-
Fund Balance, end of year	\$ 132,769	\$ 357,082	\$ 489,851	\$ 355,446

INITIATIVES FOR JUST COMMUNITIES INC.
Statement of Financial Position
March 31, 2019

	2019	2018
ASSETS		
OPERATING FUND		
CURRENT ASSETS		
Cash	\$ 371,664	\$ 152,340
Accounts receivable	340,462	481,649
Inventory	59,789	55,522
Prepaid expenses	27,202	27,471
	799,117	716,982
CAPITAL FUND		
Capital assets (Note 3)	833,586	863,720
	\$ 1,632,703	\$ 1,580,702
LIABILITIES AND FUND BALANCES		
OPERATING FUND		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 194,884	\$ 171,518
Government remittances payable	2,924	3,480
Accrued vacation payable	36,584	28,639
Deferred revenue	14,670	23,494
	249,062	227,131
OPERATING FUND BALANCE (Note 7)	550,055	489,851
	799,117	716,982
CAPITAL FUND		
CURRENT LIABILITIES		
Deferred contributions (Note 5)	26,610	38,772
Mortgage payable (Note 6)	447,259	464,288
Vehicle loan (Note 6)	2,374	5,214
	476,243	508,274
CAPITAL FUND BALANCE	357,343	355,446
	833,586	863,720
TOTAL FUND BALANCE	\$ 1,632,703	\$ 1,580,702

APPROVED BY THE BOARD

..... Director

..... Director

INITIATIVES FOR JUST COMMUNITIES INC.

Statement of Cash Flows

Year Ended March 31, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATIONS		
Excess revenue (expenditures):		
Operating fund - operations	\$ 99,342	\$ 94,598
Capital fund	(37,241)	(26,148)
Items not affecting cash:		
Amortization	48,403	46,947
Loss (gain) on disposal of capital assets	1,000	(13,453)
Recognition of deferred contributions	(12,162)	(7,346)
	<u>99,342</u>	<u>94,598</u>
Changes in non-cash working capital balances:		
Accounts receivable	141,187	(288,362)
Inventory	(4,267)	(11,218)
Prepaid expenses	269	(7,448)
Accounts payable and accrued liabilities	23,366	11,452
Government remittances payable	(556)	1,237
Accrued vacation payable	7,945	(14,207)
Deferred revenue	(8,824)	(49,619)
	<u>258,462</u>	<u>(263,567)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of capital assets	-	143,188
Purchase of capital assets	(19,269)	(675,367)
	<u>(19,269)</u>	<u>(532,179)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of long term debt	-	470,000
Repayment of long-term debt	(19,869)	(90,183)
Repayment of working capital advance payable	-	(13,400)
Receipt of deferred contributions	-	46,118
	<u>(19,869)</u>	<u>412,535</u>
NET INCREASE (DECREASE) IN CASH POSITION	219,324	(383,211)
CASH POSITION, BEGINNING OF YEAR	152,340	535,551
CASH POSITION, END OF YEAR	\$ 371,664	\$ 152,340

INITIATIVES FOR JUST COMMUNITIES INC.

Notes to the Financial Statements

March 31, 2019

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, 2019

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, 2019

3. CAPITAL ASSETS

	2019			2018
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 155,000	\$ -	\$ 155,000	\$ 155,000
Buildings - El 'Dad	396,046	226,067	169,979	178,926
Buildings - IJC	517,715	46,382	471,333	492,180
Leasehold Improvements - IJC	22,038	14,692	7,346	14,692
Furniture	11,703	8,215	3,488	3,943
Equipment	96,425	87,995	8,430	10,538
Computers	12,472	12,472	-	-
Vehicles - El 'Dad	86,533	73,516	13,017	3,899
Vehicles - IJC	28,284	23,291	4,993	4,542
	\$ 1,326,216	\$ 492,630	\$ 833,586	\$ 863,720

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, 2019, there were no drawings on this facility.

Security for this line of credit is documented in Note 6.

5. DEFERRED CONTRIBUTIONS - CAPITAL

	2019	2018
Deferred contributions – capital		
Beginning of year	\$ 38,772	\$ -
Contributions received	-	46,118
Amounts recognized as revenue	(12,162)	(7,346)
	\$ 26,610	\$ 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, 2019

6. LONG TERM DEBT

	<u>2019</u>	<u>2018</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	\$ 447,259	\$ 464,288
Vehicle loan, 0% annual rate as long as monthly payments of \$237 are made when due, maturing August 2020	2,374	5,214
	<u>\$ 449,633</u>	<u>\$ 469,502</u>

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

2020	\$ 19,688
2021	18,214
2022	18,916
2023	392,815

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 are Restricted Net Assets related to the following programs:

	<u>2019</u>	<u>2018</u>
El'Dad Ranch	392,265	\$ 353,794
Touchstone	12,549	-
CoSA	7,543	3,288
	<u>\$ 412,357</u>	<u>\$ 357,082</u>

These net assets are restricted for use in programming by the Funders. The remainder of the Operating Fund Net assets are unrestricted.

INITIATIVES FOR JUST COMMUNITIES INC.
Notes to the Financial Statements
March 31, 2019

7. OPERATING FUND NET ASSETS (continued)

During the year, the Board approved transfers from the Operating Fund (Unrestricted) as follows:

- Transfer of \$28,089 to the Capital Fund (2018 - transfer of \$28,756 from the Capital Fund)
- Transfer of \$52,201 of MCC contributions to the Operating Fund (Restricted) to fund the operations of the CoSA program (2018 - \$20,833)
- Transfer of \$nil to the Operating Fund (Restricted) to fund the deficit in the Touchstone program (2018 - \$31,610).

Additionally during the year, the Department of Families approved the transfer of \$11,049 from the Operating Fund (Restricted – El’Dad Ranch) to the Capital Fund (2018 - \$nil).

8. ECONOMIC DEPENDENCE

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

The following provides a reconciliation of confirmed revenues received from the Department of Families to actual revenues recognized:

	<u>2019</u>
Payments received - Department of Families per grant confirmation	\$ 3,722,007
Less: Receipts of prior year's commitments	<u>282,168</u>
	<u>3,439,839</u>
Recorded in revenue as follows:	
Per diem revenue	3,232,890
Employment and income assist	40,205
Health and education tax	44,193
Miscellaneous reimbursements	17,512
Pension and benefits	65,601
Wage enhancement fund	39,438
<u>Revenue - Department of Families per Summary Statement of Operations</u>	<u>\$ 3,439,839</u>

INITIATIVES FOR JUST COMMUNITIES INC.
Notes to the Financial Statements
March 31, 2019

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, 2019, IJC received \$170,000 in contributions (2018 - \$168,750) 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.

12. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with current year presentation.

INITIATIVES FOR JUST COMMUNITIES INC.

Summary of Cost Centre Operations

Year Ended March 31, 2019

	2019						
	Touchstone FASD Program	Circles of Support and Accountability	Open Circle	El'Dad Ranch	Resource Generation	Inter-program eliminations	Total
Revenue	\$ 690,195	\$ 89,058	\$ 52,141	\$ 2,817,992	\$ 363,428	\$ (63,360)	\$ 3,949,454
Expenditures	677,646	137,004	140,588	2,768,472	189,762	(63,360)	3,850,112
Excess Revenue (Expenditures) before MCC Manitoba Contributions	12,549	(47,946)	(88,447)	49,520	173,666	-	99,342
MCC Manitoba Contributions	-	52,201	88,447	-	(140,648)	-	-
Excess Revenue (Expenditures)	\$ 12,549	\$ 4,255	\$ -	\$ 49,520	\$ 33,018	\$ -	\$ 99,342

	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