

Financial Statements of

INITIATIVES FOR JUST COMMUNITIES INC.

March 31, 2021

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, 2021, 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, 2021, 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
June 29, 2021

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 – 10
Summary of Cost Centre Operations	11

INITIATIVES FOR JUST COMMUNITIES INC.

Summary Statement of Operations

Year Ended March 31, 2021

	2021		2020
	Budget (Note 11)	Actual	Actual
REVENUE			
Provincial Funding			
Department of Families			
El'dad Ranch	\$ 4,276,836	\$ 4,539,660	\$ 3,602,087
Touchstone - FASD	653,802	660,865	680,121
Department of Education and Training			
Touchstone - Vision and Voices	-	-	15,075
Federal Funding			
CoSA	80,000	93,329	81,981
Open Circle	32,000	6,518	31,715
Public Trustee	-	360	-
Donations and fundraising	30,858	38,115	29,962
Resource Generation	76,750	52,457	64,833
MCC Manitoba contributions (Note 9)	170,000	170,000	170,000
Recognition of deferred revenue	-	-	3,326
Other revenue	13,570	56,343	34,845
	5,333,816	5,617,647	4,713,945
EXPENDITURES			
Program expenses			
Salaries and benefits	3,644,915	3,894,158	3,124,617
Other program expenses	1,064,219	929,685	1,061,501
Administration	574,163	547,395	264,507
Facilities and technology	16,849	25,552	20,127
Fundraising	-	(1,560)	4,803
	5,300,146	5,395,230	4,475,555
EXCESS REVENUE OVER			
EXPENDITURES - OPERATING FUND	33,670	222,417	238,390
CAPITAL FUND			
Recognition of deferred contributions	-	4,816	12,162
Gain on disposal of capital assets	-	12,974	2,986
Amortization	(20,170)	(47,427)	(46,147)
DEFICIENCY OF REVENUE OVER			
EXPENDITURES - CAPITAL FUND	(20,170)	(29,637)	(30,999)
EXCESS OF REVENUE			
OVER EXPENDITURES	\$ 13,500	\$ 192,780	\$ 207,391

INITIATIVES FOR JUST COMMUNITIES INC.
Statement of Changes in Fund Balances
Year Ended March 31, 2021

	2021			
	Operating Fund (Unrestricted)	Operating Fund (Restricted) (Note 7)	Total Operating Fund	Capital Fund
Fund balance, beginning of year	\$ 157,271	\$ 598,018	\$ 755,289	\$ 359,500
Excess Revenue (Expenditures)				
Operating Fund - operations	90,137	132,280	222,417	-
Capital Fund	-	-	-	(29,637)
Interfund transfers (Note 7)				
Capital	(87,360)	(419)	(87,779)	87,779
MCC Contributions	(78,614)	78,614	-	-
Fund Balance, end of year	\$ 81,434	\$ 808,493	\$ 889,927	\$ 417,642

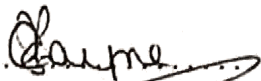
	2020			
	Operating Fund (Unrestricted)	Operating Fund (Restricted) (Note 7)	Total Operating Fund	Capital Fund
Fund balance, beginning of year	\$ 137,698	\$ 412,357	\$ 550,055	\$ 357,343
Excess Revenue (Expenditures)				
Operating Fund - operations	111,133	127,257	238,390	-
Capital Fund	-	-	-	(30,999)
Interfund transfers (Note 7)				
Capital	(20,010)	(13,146)	(33,156)	33,156
MCC contributions	(71,550)	71,550	-	-
Fund Balance, end of year	\$ 157,271	\$ 598,018	\$ 755,289	\$ 359,500

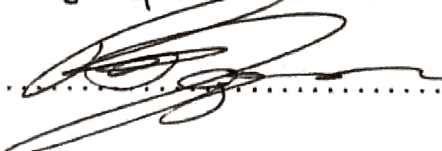
INITIATIVES FOR JUST COMMUNITIES INC.**Statement of Financial Position**

March 31, 2021

	2021	2020
ASSETS		
OPERATING FUND		
CURRENT ASSETS		
Cash	\$ 402,779	\$ 451,173
Accounts receivable	789,783	375,256
Inventory	77,657	74,872
Prepaid expenses	52,162	50,033
	1,322,381	951,334
CAPITAL FUND		
Capital assets (Note 3)	879,042	803,571
	\$ 2,201,423	\$ 1,754,905
LIABILITIES AND FUND BALANCES		
OPERATING FUND		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 287,688	\$ 94,692
Government remittances payable	60,441	45,648
Accrued vacation payable	51,726	44,361
Deferred revenue	32,599	11,344
	432,454	196,045
OPERATING FUND BALANCE (Note 7)	889,927	755,289
	1,322,381	951,334
CAPITAL FUND		
CURRENT LIABILITIES		
Deferred contributions (Note 5)	50,132	14,448
Mortgage payable (Note 6)	411,268	429,623
	461,400	444,071
CAPITAL FUND BALANCE	417,642	359,500
	879,042	803,571
TOTAL FUND BALANCE	\$ 2,201,423	\$ 1,754,905

APPROVED BY THE BOARD

.......... Director

.......... Director

INITIATIVES FOR JUST COMMUNITIES INC.**Statement of Cash Flows****Year Ended March 31, 2021**

	2021	2020
CASH FLOWS FROM OPERATIONS		
Excess revenue (expenditures):		
Operating fund - operations	\$ 222,417	\$ 238,390
Capital fund	(29,637)	(30,999)
Items not affecting cash:		
Amortization	47,427	46,147
Gain on disposal of capital assets	(12,974)	(2,986)
Recognition of deferred contributions	(4,816)	(12,162)
	222,417	238,390
Changes in non-cash working capital balances:		
Accounts receivable	(414,527)	(34,794)
Inventory	(2,785)	(15,083)
Prepaid expenses	(2,129)	(22,831)
Accounts payable and accrued liabilities	192,996	(100,192)
Government remittances payable	14,793	42,724
Accrued vacation payable	7,365	7,777
Deferred revenue	21,255	(3,326)
	39,385	112,665
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of capital assets	19,422	3,817
Purchase of capital assets	(129,346)	(16,963)
	(109,924)	(13,146)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(18,355)	(20,010)
Receipt of deferred contributions	40,500	-
	22,145	(20,010)
NET (DECREASE) INCREASE IN CASH POSITION	(48,394)	79,509
CASH POSITION, BEGINNING OF YEAR	451,173	371,664
CASH POSITION, END OF YEAR	\$ 402,779	\$ 451,173

INITIATIVES FOR JUST COMMUNITIES INC.
Notes to the Financial Statements
March 31, 2021

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, 2021

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, 2021

3. CAPITAL ASSETS

	2021			2020
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 155,000	\$ -	\$ 155,000	\$ 155,000
Buildings - El'Dad	396,046	242,640	153,406	161,480
Building - IJC	517,714	92,337	425,377	447,766
Leasehold Improvements - IJC	126,717	29,384	97,333	-
Furniture	11,704	8,944	2,760	3,098
Equipment	112,105	95,570	16,535	20,606
Computers	19,888	13,398	6,490	-
Vehicles - El'Dad	67,958	48,263	19,695	12,026
Vehicles - IJC	28,184	25,738	2,446	3,595
	\$ 1,435,316	\$ 556,274	\$ 879,042	\$ 803,571

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, 2025.

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, 2021, there were no drawings on this facility.

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

5. DEFERRED CONTRIBUTIONS - CAPITAL

	<u>2021</u>	<u>2020</u>
Deferred contributions – capital		
Beginning of year	\$ 14,448	\$ 26,610
Contributions received	40,500	-
Amounts recognized as revenue	(4,816)	(12,162)
	\$ 50,132	\$ 14,448

Deferred contributions 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, 2021

6. LONG TERM DEBT

	<u>2021</u>	<u>2020</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	\$ 411,268	\$ 429,623

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

2022	\$ 18,916
2023	392,493

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>2021</u>	<u>2020</u>
El'Dad Ranch	721,447	540,002
Touchstone	79,502	50,472
CoSA	7,544	7,544
	<u>\$ 808,493</u>	<u>\$ 598,018</u>

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

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

- Transfer of \$87,360 to the Capital Fund (2020 - \$20,010).
- Transfer of \$78,614 of MCC contributions to the Operating Fund (Restricted) to fund the operations of the CoSA program (2020 - \$71,550).

Additionally, during the year, the Department of Families approved the transfer of \$419 from the Operating Fund (Restricted – El'Dad Ranch) to the Capital Fund (2020 - \$13,146).

INITIATIVES FOR JUST COMMUNITIES INC.
Notes to the Financial Statements
March 31, 2021

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>2021</u>
Revenue - Manitoba Family Services per grant confirmation	\$ 5,200,525
Per diem revenue	4,942,527
HCMO	30,000
Employment and income assist	31,382
Health and Education tax	32,457
Miscellaneous reimbursements	2,212
Pension and Benefits	122,158
Wage enhancement fund	39,788
Revenue - Department of Families per Summary Statement Operations	\$ 5,200,525

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, 2021, IJC received \$170,000 in contributions (2020 - \$170,000) 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.

INITIATIVES FOR JUST COMMUNITIES INC.
Notes to the Financial Statements
March 31, 2021

11. BUDGET FIGURES

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

12. RECENT DEVELOPMENTS

In March 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that these developments will have on the financial results of the Organization in future periods.

INITIATIVES FOR JUST COMMUNITIES INC.
Summary of Cost Centre Operations
Year Ended March 31, 2021

	2021						
	Touchstone FASD Program	Circles of Support and Accountability	Open Circle	El'Dad Ranch	Resource Generation	Inter- program eliminations	Total
Revenue	\$ 643,134	\$ 95,237	\$ 13,295	\$ 4,584,013	\$ 510,487	\$ (228,519)	\$ 5,617,647
Expenditures	614,104	173,851	70,207	4,402,149	363,438	(228,519)	5,395,230
Excess Revenue (Expenditures) before MCC Manitoba Contributions	29,030	(78,614)	(56,912)	181,864	147,049	-	222,417
MCC Manitoba Contributions	-	78,614	56,912	-	(135,526)	-	-
Excess Revenue (Expenditures)	\$ 29,030	\$ -	\$ -	\$ 181,864	\$ 11,523	\$ -	\$ 222,417

	2020						
	Touchstone FASD Program	Circles of Support and Accountability	Open Circle	El'Dad Ranch	Resource Generation	Inter-program eliminations	Total
Revenue	\$ 701,897	\$ 84,234	\$ 38,520	\$ 3,611,179	\$ 599,991	\$ (321,876)	\$ 4,713,945
Expenditures	663,974	155,784	131,825	3,450,295	395,553	(321,876)	4,475,555
Excess Revenue (Expenditures) before MCC Manitoba Contributions	37,923	(71,550)	(93,305)	160,884	204,438	-	238,390
MCC Manitoba Contributions	-	71,550	93,305	-	(164,855)	-	-
Excess Revenue (Expenditures)	\$ 37,923	\$ -	\$ -	\$ 160,884	\$ 39,583	\$ -	\$ 238,390