

**INITIATIVES FOR JUST COMMUNITIES INC.**

**FINANCIAL STATEMENTS**

**MARCH 31, 2023**

## **INDEPENDENT AUDITORS' REPORT**

To the Board Members of Initiatives for Just Communities Inc.

### **Opinion**

We have audited the financial statements of Initiatives for Just Communities Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2023, 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.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization 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 and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or cease operations, or has no realistic alternative but to do so.

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

### **Auditors' 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 auditors' 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 generally accepted auditing standards 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.

## INDEPENDENT AUDITORS' REPORT, cont'd

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risk 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Organization 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.

### Other Matter

The financial statements for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 23, 2022.

Winnipeg, Manitoba  
June 20, 2023



Chartered Professional Accountants

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## INITIATIVES FOR JUST COMMUNITIES INC.

## STATEMENT OF FINANCIAL POSITION

MARCH 31, 2023

	Operating Fund	Capital Fund	Restricted Funds	Total 2023	Total 2022
<u>Assets</u>					
Current assets					
Cash (note 3)	\$ 901,997	\$ -	\$ -	\$ 901,997	\$ 803,620
Accounts receivable	409,532	-	-	409,532	386,621
Inventory (note 4)	79,720	-	-	79,720	66,454
Prepaid expenses	29,756	-	-	29,756	55,479
Due from (to) other funds (note 5)	(1,083,097)	(56,904)	1,140,001	-	-
	337,908	(56,904)	1,140,001	1,421,005	1,312,174
Capital assets (note 6)	-	862,561	-	862,561	851,245
	<u>\$ 337,908</u>	<u>\$ 805,657</u>	<u>\$ 1,140,001</u>	<u>\$ 2,283,566</u>	<u>\$ 2,163,419</u>

Liabilities and Net Assets

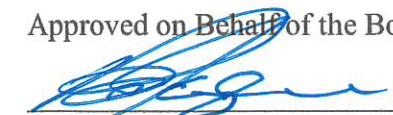

## Current liabilities

Accounts payable and accrued liabilities (note 7)	\$ 233,859	\$ -	\$ -	\$ 233,859	\$ 234,933
Deferred revenue	18,231	-	-	18,231	21,300
Mortgage payable (note 8)	-	9,878	-	9,878	16,405
	252,090	9,878	-	261,968	272,638
Deferred revenue (note 9)	-	-	-	-	45,316
Mortgage payable (note 8)	-	365,928	-	365,928	375,806
	<u>252,090</u>	<u>375,806</u>	<u>-</u>	<u>627,896</u>	<u>693,760</u>

## Net assets

Unrestricted	85,818	-	-	85,818	108,255
Externally restricted (Sch. 1)	-	-	1,140,001	1,140,001	947,686
Invested in capital assets	-	429,851	-	429,851	413,718
	<u>85,818</u>	<u>429,851</u>	<u>1,140,001</u>	<u>1,655,670</u>	<u>1,469,659</u>
	<u>\$ 337,908</u>	<u>\$ 805,657</u>	<u>\$ 1,140,001</u>	<u>\$ 2,283,566</u>	<u>\$ 2,163,419</u>

Approved on Behalf of the Board

 Director  
 Director

## INITIATIVES FOR JUST COMMUNITIES INC.

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2023

	Operating <u>Fund</u>	Capital <u>Fund</u>	Restricted Funds (Schedule 1)	Total <u>2023</u>	Total <u>2022</u>
Revenue					
Province of Manitoba	\$ -	\$ -	\$ 6,619,852	\$ 6,619,852	\$ 5,785,681
Government of Canada	-	-	23,086	23,086	81,553
MCC Manitoba	125,000	-	-	125,000	120,000
Resource generation	53,032	-	12,282	65,314	62,626
Donations and fundraising	9,699	-	15,998	25,697	24,760
Recognition of deferred revenue	613	4,816	71,273	76,702	21,533
Other revenue	<u>32,696</u>	<u>-</u>	<u>21,282</u>	<u>53,978</u>	<u>23,990</u>
	<u>221,040</u>	<u>4,816</u>	<u>6,763,773</u>	<u>6,989,629</u>	<u>6,120,143</u>
Expenses					
Amortization	-	113,438	-	113,438	81,262
Fundraising and public relations	754	-	4,470	5,224	6,028
Other expenses - administration	116,454	-	-	116,454	217,244
Other expenses - programs	303,416	-	1,765,295	2,068,711	1,485,461
Salaries and benefits - administration	595,983	-	-	595,983	491,166
Salaries and benefits - programs	<u>39,444</u>	<u>-</u>	<u>3,864,364</u>	<u>3,903,808</u>	<u>3,676,889</u>
	<u>1,056,051</u>	<u>113,438</u>	<u>5,634,129</u>	<u>6,803,618</u>	<u>5,958,050</u>
Excess (deficiency) of revenue over expenses	\$ <u>(835,011)</u>	\$ <u>(108,622)</u>	\$ <u>1,129,644</u>	\$ <u>186,011</u>	\$ <u>162,093</u>

## INITIATIVES FOR JUST COMMUNITIES INC.

## STATEMENT OF CHANGES IN NET ASSETS

## FOR THE YEAR ENDED MARCH 31, 2023

	Operating <u>Fund</u>	Capital <u>Fund</u>	Restricted Funds (Schedule 1)	Total <u>2023</u>	Total <u>2022</u>
Net assets, beginning of year	\$ 108,255	\$ 413,718	\$ 947,686	\$ 1,469,659	\$ 1,307,566
Excess (deficiency) of revenue over expenditures for the year	(835,011)	(108,622)	1,129,644	186,011	162,093
Transfers between funds (note 10)	<u>812,574</u>	<u>124,755</u>	<u>(937,329)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	\$ <u>85,818</u>	\$ <u>429,851</u>	\$ <u>1,140,001</u>	\$ <u>1,655,670</u>	\$ <u>1,469,659</u>

## INITIATIVES FOR JUST COMMUNITIES INC.

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Excess of revenue over expenditures	\$ 186,011	\$ 162,093
Items not involving a current outlay of cash		
Amortization	<u>113,438</u>	<u>81,262</u>
	299,449	243,355
Net change in non-cash working capital balances		
Accounts receivable	(22,911)	358,749
Inventory	(13,266)	11,203
Prepaid expenses	25,723	(426)
Accounts payable and accrued liabilities	(1,074)	(123,674)
Deferred revenue	<u>(48,384)</u>	<u>(16,114)</u>
	<u>239,537</u>	<u>473,093</u>
Cash flows from investing activities		
Purchases of capital assets	<u>(124,755)</u>	<u>(53,466)</u>
Cash flows from financing activities		
Repayment of mortgage	<u>(16,405)</u>	<u>(19,057)</u>
Increase in cash	98,377	400,570
Cash, beginning of year	<u>803,620</u>	<u>403,050</u>
Cash, end of year	\$ <u>901,997</u>	\$ <u>803,620</u>



**INITIATIVES FOR JUST COMMUNITIES INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2023**

**1. Purpose of the Organization**

Initiatives for Just Communities Inc. (the "Organization") 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 Inc. The El'Dad Ranch was previously a separate program of Mennonite Central Committee Manitoba Inc. and is now also part of the Organization. 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 have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and include the following significant accounting policies:

**a) Revenue recognition**

The Organization follows the restricted fund method of accounting for contributions. Restricted contributions attributable to a specified fund are recognized as revenue of that fund in the year of contribution. Restricted contributions for the purchase of capital assets are deferred and amortized into revenue of the Capital Fund at the same rate as the corresponding capital asset. All other restricted contributions are recognized as revenue of the Operating Fund when the funds have been spent on qualifying expenses.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received.

Resource generation revenue consists of wood sales, vehicle repairs and rentals, and various community work. Resource generation revenue is recognized when delivery has occurred or services provided and collection is reasonably assured.

**INITIATIVES FOR JUST COMMUNITIES INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2023**

**2. Significant accounting policies, continued**

**b) Fund accounting**

The Organization maintains three primary funds: Operating Fund, Capital Fund and Restricted Funds.

The Operating Fund reports on the activities that support ongoing operations and to aid ongoing projects approved by the Board of Directors and management.

The Capital Fund reports the assets, liabilities, revenue and expenses related to the Organization's capital assets.

Restricted Funds report the revenue and expenses of the programs described in Schedule 1.

**c) Contributed materials and services**

Gifts-in-kind donations are recorded at fair value at the time of donation if a fair value can be determined. Due to the difficulty of determining their fair value, contributed labour and services are not recorded.

**d) Capital assets**

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives using the following rates and methods:

Buildings	5%	declining balance
Leasehold improvements	25%	straight line
Equipment	20%	declining balance
Furniture	10%	declining balance
Vehicles	30%	declining balance
Computers and software	33%	declining balance

**e) Inventory**

Inventory is recorded at the lower of cost and net realizable value.

**INITIATIVES FOR JUST COMMUNITIES INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2023**

**2. Significant accounting policies, continued**

**f) Income taxes**

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

**g) Long-lived assets**

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations in the period in which the impairment becomes known.

**h) Measurement uncertainty**

The preparation of financial statements in conformity 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

**INITIATIVES FOR JUST COMMUNITIES INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2023**

**2. Significant accounting policies, continued**

i) Financial instruments

*Measurement of financial instruments*

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

*Impairment*

Financial assets are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

**3. Cash**

The Organization has an operating line of credit available to a maximum of \$25,000, bearing interest at prime plus 3%, secured as described in note 8. At March 31, 2023, there were no drawings on this facility.

**4. Inventory**

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 55,143	\$ 60,427
Wood	<u>24,577</u>	<u>6,027</u>
	<u>\$ 79,720</u>	<u>\$ 66,454</u>

**5. Due from (to) other Funds**

Amounts due from one fund to another fund have no specific terms of repayment and bear no interest.

## INITIATIVES FOR JUST COMMUNITIES INC.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED MARCH 31, 2023

## 6. Capital assets

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 155,000	\$ -	\$ 155,000	\$ -
Buildings	920,685	391,918	920,685	364,088
Leasehold improvements	184,949	119,692	150,309	65,760
Equipment	112,105	101,523	112,105	98,877
Furniture	11,704	9,979	11,704	9,240
Vehicles	182,212	94,766	96,141	80,643
Computers and software	<u>42,986</u>	<u>29,202</u>	<u>42,986</u>	<u>19,077</u>
	<u>\$ 1,609,641</u>	<u>\$ 747,080</u>	<u>\$ 1,488,930</u>	<u>\$ 637,685</u>
Cost less accumulated amortization		<u>\$ 862,561</u>		<u>\$ 851,245</u>

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 Mennonite Central Committee Manitoba Inc. for its operational use and beneficial interest at a nominal annual lease amount. The lease is set to expire March 31, 2025.

## 7. Accounts payable and accrued liabilities

	<u>2023</u>	<u>2022</u>
Supplier payables	\$ 126,277	\$ 171,828
Government remittances	46,693	11,386
Accrued vacation pay	<u>60,889</u>	<u>51,719</u>
	<u>\$ 233,859</u>	<u>\$ 234,933</u>

**INITIATIVES FOR JUST COMMUNITIES INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2023**

**8. Mortgage payable**

The mortgage payable to Steinbach Credit Union is repayable in monthly instalments of \$2,850, including interest at the Variable Residential Mortgage Closed Floating Rate plus 0.75%, due on demand, maturing October 15, 2027. At March 31, 2023, the interest rate was 6.55% (2022 - 3.79%).

Security provided for the Steinbach Credit Union line of credit and mortgage includes a general security agreement, a demand promissory note in the amount of \$380,801, first charge on the property located at 315 HWY 52, Mitchell, and a registered first charge over all present and future assets of the borrower.

Principal repayments in the next five years are estimated as follows, assuming immediate repayment is not demanded:

2024	\$ 9,878
2025	10,545
2026	11,256
2027	12,016
2028	12,827

**9. Deferred revenue - Capital Fund**

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 45,316	\$ 50,132
Amounts recognized as revenue	<u>(45,316)</u>	<u>(4,816)</u>
Balance, end of year	\$ <u>-</u>	\$ <u>45,316</u>



## INITIATIVES FOR JUST COMMUNITIES INC.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED MARCH 31, 2023

**10. Transfers between funds*****Operating Fund:***

From the Restricted Funds

El'Dad Ranch for administrative fees, rent, and travel and vehicle expenses.	\$ 891,314
Touchstone for administrative fees, rent, and travel and vehicle expenses.	95,641
Open Circle for administrative fees.	4,492
CoSA for administrative fees.	5,803

From Contributions from Mennonite Central Committee Manitoba Inc.

To the CoSA Restricted Fund to fund operations of the program.	(56,087)
To the Open Circle Restricted Fund to fund operations of the program.	(44,334)

To the Capital Fund for the purchase of capital assets.	(84,255)
	<u>\$ 812,574</u>

***Capital Fund:***

To purchase capital assets

From the Operating Fund.	\$ 84,255
From the El'Dad Ranch Restricted Fund, as approved by the donor.	40,500
	<u>\$ 124,755</u>

***Restricted Funds:***

To the Capital Fund for the purchase of capital assets, as approved by the donor.	(40,500)
To the Operating Fund for administrative fees, rent, and travel and vehicle expenses.	(997,250)
From the Operating Fund to fund operations of the CoSA and Open Circle programs.	100,421
	<u>\$ (937,329)</u>

**11. Related party transactions**

The directors of the Organization are appointed subject to approval of the directors of Mennonite Central Committee Manitoba Inc. Accordingly, the Organization is considered a controlled entity for financial reporting purposes and is accounted for by Mennonite Central Committee Manitoba Inc. on an equity basis.

During the year end March 31, 2023, the Organization received \$125,000 (2022 - \$120,000) in contributions from Mennonite Central Committee Manitoba Inc.

**INITIATIVES FOR JUST COMMUNITIES INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2023**

**12. Lease commitments**

The Organization leases housing for program participants, office space and office equipment with estimated minimum annual lease payments as follows:

2024	\$ 82,619
2025	37,899
2026	36,512
2027	3,055

**13. Financial instruments**

***Risks and concentrations***

The Organization is exposed to various risks through its financial instruments. The following analysis provides for a measure of the Organization's risk exposure and concentrations at March 31, 2023.

***Liquidity risk***

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk mainly in respect of its mortgage payable.

***Credit risk***

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risk relates to its accounts receivable.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk as its mortgage payable bears interest at a variable rate.

**INITIATIVES FOR JUST COMMUNITIES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

**14. Economic dependence**

The Organization is economically dependent on the Province of Manitoba Department of Families and the Mennonite Central Committee Manitoba Inc. for the majority of its funding.

The Organization is able to retain a surplus of 2% of provincial funding for each Restricted Fund program. Surpluses in excess of 2% may be retained for the purposes of the program services subject to approval by the Province of Manitoba Department of Families.

**15. Comparative figures**

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

## INITIATIVES FOR JUST COMMUNITIES INC.

## SCHEDULE 1 - RESTRICTED FUNDS

## FOR THE YEAR ENDED MARCH 31, 2023

	Fund Balance March 31, <u>2022</u>	<u>Revenue</u>	<u>Expenses</u>	Transfers from (to) other <u>Funds</u>	Fund Balance March 31, <u>2023</u>
Circles of Support and Accountability (CoSA)	(20,130)	25,719	(52,904)	50,284	2,969
El'Dad Ranch	876,030	6,026,537	(4,949,165)	(931,814)	1,021,588
Open Circle	-	10,562	(50,404)	39,842	-
Touchstone FASD Program	<u>91,786</u>	<u>700,955</u>	<u>(581,656)</u>	<u>(95,641)</u>	<u>115,444</u>
	<u>947,686</u>	<u>6,763,773</u>	<u>(5,634,129)</u>	<u>(937,329)</u>	<u>1,140,001</u>