

**JohnHoward**  
SOCIETY OF OTTAWA



**Financial Statements**  
For the year ended March 31, 2018



**John Howard Society of Ottawa**  
**Financial Statements**  
For the year ended March 31, 2018

**Contents**

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<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Fund Balances	5
Statement of Cash Flows	6
Summary of Significant Accounting Policies	7
Notes to Financial Statements	11
Supplementary Information	19

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## Independent Auditor's Report

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**To the Board of Directors of  
John Howard Society of Ottawa**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of John Howard Society of Ottawa, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### 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 Corporation'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 is sufficient and appropriate to provide a basis of our audit opinion.

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## Independent Auditor's Report (continued)

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### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the John Howard Society of Ottawa as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Other Matters

The 2017 corresponding amounts (prior to their prior period adjustments and reclassifications as explained in Notes 14 and 15 to the financial statements) are based on the financial statements reported on by John Howard Society of Ottawa's former auditor who expressed an unmodified opinion on those financial statements on June 12, 2017.

### Report on Other Legal and Regulatory Requirements

As described by the Corporation Act of Ontario, we report that, in our opinion, the accounting policies in Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis with that of the preceding year.

*Collins Barrow Ottawa LLP*

Chartered Professional Accountants, Licensed Public Accountants  
June 27, 2018  
Ottawa, Ontario

## John Howard Society of Ottawa Statement of Financial Position

**March 31** 2018 2017

### Assets

#### Current

Cash and cash equivalents (Note 5)	\$ 17,209	\$ 324,757
Accounts receivable (Note 1)	1,901,107	1,333,515
Prepaid expenses	99,856	88,169
Current portion of loans receivable (Note 2)	74,216	69,986

	2,092,388	1,816,427
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Long-term portion of loans receivable (Note 2)	328,903	400,000
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Investments (Note 3)	1,194,311	1,147,206
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Tangible capital assets (Note 4)	21,831,877	16,075,843
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	\$ 25,447,479	\$ 19,439,476
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### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities (Note 6)	\$ 1,530,967	\$ 1,401,124
Deferred contributions - operations	431,248	202,000
Current portion of long-term debt (Note 7)	96,212	58,216

	2,058,427	1,661,340
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#### Long-term

Deferred contributions - tangible capital assets (Note 8)	12,533,414	10,224,117
Long-term debt (Note 7)	5,505,947	2,408,542

	18,039,361	12,632,659
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#### Net assets

Capital reserve	544,604	499,057
Contingency reserve	174,004	162,317
Acquisition reserve	475,703	934,539
Invested in tangible capital assets	3,696,304	3,384,968
Unrestricted	459,076	164,596

	5,349,691	5,145,477
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	\$ 25,447,479	\$ 19,439,476
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On behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

## John Howard Society of Ottawa Statement of Operations

For the year ended March 31	2018	2017
<b>Revenues</b>		
Federal funding	\$ 3,061,879	\$ 2,844,742
Provincial funding	4,327,650	3,728,191
Municipal funding	1,858,717	1,804,301
United Way funding	262,463	249,432
Rental income	429,608	454,402
Fundraising, donations, memberships	14,728	10,808
Other contributions	234,070	229,516
Amortization of deferred contributions - tangible capital assets	560,689	511,730
	<b>10,749,804</b>	<b>9,833,122</b>
<b>Expenses</b>		
Salaries and employee benefits	6,417,093	5,586,418
Operating	3,171,689	2,774,610
Administration	29,260	113,778
Interest on long-term debt	71,757	37,611
Amortization of tangible capital assets	855,791	875,187
	<b>10,545,590</b>	<b>9,387,604</b>
<b>Excess of revenue over expenses for the year</b>	<b>\$ 204,214</b>	<b>\$ 445,518</b>

**John Howard Society of Ottawa**  
**Statement of Changes in Fund Balances**

**For the year ended March 31**

**2018**

**2017**

	Capital Reserve	Contingency Reserve	Acquisition Reserve	Invested in Tangible Capital Assets	Unrestricted	Total	Total
<b>Fund balances - beginning of year as previously stated</b>	\$ 499,057	\$ 162,317	\$ 934,539	\$ 3,384,968	\$ 402,634	\$ 5,383,515	\$ 4,785,726
<b>Prior period adjustment (Note 14)</b>	-	-	-	-	(238,038)	(238,038)	(88,819)
<b>Fund balances - beginning of year as restated</b>	499,057	162,317	934,539	3,384,968	164,596	5,145,477	4,696,907
<b>Excess (deficiency) of revenue over expenses for the year</b>	44,604	-	-	(295,102)	454,712	204,214	445,518
<b>Interest income</b>	-	-	-	-	-	-	3,052
<b>Investment in tangible capital assets</b>	-	-	-	606,438	(606,438)	-	-
<b>Interfund transfers</b>	943	11,687	(458,836)	-	446,206	-	-
<b>Fund balances - end of year</b>	\$ 544,604	\$ 174,004	\$ 475,703	\$ 3,696,304	\$ 459,076	\$ 5,349,691	\$ 5,145,477

## John Howard Society of Ottawa Statement of Cash Flows

For the year ended March 31	2018	2017
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses for the year	\$ 204,214	\$ 445,518
Adjustments for		
Amortization of tangible capital assets	855,791	875,187
Amortization of deferred contributions of tangible capital assets	<u>(560,689)</u>	<u>(511,730)</u>
	499,316	808,975
Changes in non-cash working capital items		
Accounts receivables	(567,592)	(218,311)
Prepaid expenses	(11,687)	(14,377)
Accounts payable and accrued liabilities	129,843	574,743
Deferred revenue	<u>229,248</u>	<u>(108,273)</u>
	<u>279,128</u>	<u>1,042,757</u>
<b>Investing activities</b>		
Investment income in restricted funds	-	3,052
Receipt of loans receivable	66,867	23,620
Net increase in investments	(47,105)	(162,726)
Purchase of tangible capital assets	<u>(6,611,825)</u>	<u>(3,706,125)</u>
	<u>(6,592,063)</u>	<u>(3,842,179)</u>
<b>Financing activities</b>		
Issuance of long-term debt	3,193,359	1,263,750
Repayment of long-term debt	(57,958)	(31,484)
Increase in deferred contributions - tangible capital assets	<u>2,869,986</u>	<u>2,037,500</u>
	<u>6,005,387</u>	<u>3,269,766</u>
<b>Net increase (decrease) in cash and cash equivalents for the year</b>	<b>(307,548)</b>	<b>470,344</b>
<b>Cash and cash equivalents (deficiency), beginning of year</b>	<b><u>324,757</u></b>	<b><u>(145,587)</u></b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 17,209</b>	<b>\$ 324,757</b>



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# John Howard Society of Ottawa

## Summary of Significant Accounting Policies

March 31, 2018

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### **Governing Statutes and Nature of Organization**

The John Howard Society of Ottawa (the Society), formally incorporated in April 1995 without share capital, under the laws of Ontario, generally works through service, community education, advocacy and reform: (i) to assist those at conflict with the law, (ii) to study and promote study of causes of crime and prevention, and (iii) to develop and improve community understanding of offenders in becoming productive members of society. The Society is a registered charity under the Income Tax Act.

A member of the Board of Directors of the Society serves on the Board of John Howard Society of Ontario (JHS Ontario), which is comprised of representatives of all Ontario affiliates. A member of the JHS Ontario Board of Directors in turn serves on the Board of John Howard Society of Canada, which is comprised of representatives from every province and territory. All John Howard Society affiliates share common Core Values and Guiding Principles.

### **Basis of Presentation**

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.

### **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 expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the fiscal period in which they become known.

Significant estimates include assumptions used in establishing: the fair value of financial instruments; the amounts and collectibility of trade and other receivables; the useful lives and related amortization of tangible capital assets; and provisions for certain liabilities.

### **Financial Instruments**

Financial instruments are financial assets or financial liabilities of the Society where, in general, the Society has the right to receive cash or another financial asset from another party or the Society has the obligation to pay another party cash or other financial assets.

#### Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions, if any.

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## John Howard Society of Ottawa Summary of Significant Accounting Policies

**March 31, 2018**

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**Financial Instruments**  
(continued)

Measurement of financial instruments (continued)

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for certain fixed income and equity investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include cash and cash equivalents and trade and other receivables. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and long-term debt.

The Society has no financial assets or financial liabilities other than investments in fixed income securities and equity mutual funds that are measured at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. 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 operations.

Transaction costs

The Society recognizes its transaction costs in operations in the period incurred. However, the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**Tangible Capital Assets**

Tangible capital assets are recorded at cost. Tangible capital assets include buildings, office furniture and equipment and leasehold improvements.

When the Society receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date.

Amortization expense is charged to the operations using the following annual rates:

Office furniture and equipment	2	years straight-line basis
Buildings	20	years straight-line basis
Leasehold improvements	20	years straight-line basis

One-half of the above rates is used in the year of acquisition.

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## John Howard Society of Ottawa Summary of Significant Accounting Policies

**March 31, 2018**

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<b>Tangible Capital Assets</b> (continued)	<p>Tangible capital assets under development are not amortized until development is complete and are put in use.</p> <p>When a tangible capital asset no longer has any long-term service potential to the Society, the write-down being the excess of its net carrying amount over any residual value is recognized as an expense in the Statement of Operations. A write-down is not reversed in subsequent years.</p>
<b>Revenue Recognition</b>	<p>The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or the fiscal year to which the contribution relates. 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.</p> <p>Rental income is recognized as earned and collectibility is reasonably assured.</p> <p>Interest and other investment income is unrestricted and is recognized in operations as it is earned in accordance with the Society's financial instruments significant accounting policy as previously described.</p>
<b>Deferred Capital Contributions</b>	<p>Contributions received for capital assets are deferred and amortized over the same term and on the same basis as the related capital assets. Deferred capital contributions represent the unamortized amount of donations, grants, and loans received for the purchase of capital assets.</p>
<b>Programs</b>	<p>Programs administered by the Society are principally funded by the Government of Canada and the Province of Ontario, with funding being subject to periodic audit, and with any adjustments being recorded in a year in which such audits are completed.</p>
<b>Capital Reserve</b>	<p>This internally restricted reserve has been established by the Society's board of directors for the major repairs or replacement required to its buildings.</p>
<b>Contingency Reserve</b>	<p>This internally restricted reserve has been established by the Society to cover estimated potential costs of certain program discontinuance.</p>
<b>Acquisition Reserve</b>	<p>This internally restricted reserve has been established by the Society to accommodate new residential developments, or other such initiatives as the Society might consider appropriate.</p>
<b>Invested in Tangible Capital Assets</b>	<p>Amounts invested in tangible capital assets are amounts internally restricted by the Society to equal the net book value of the Society's capital assets less amounts funded by long-term debt and deferred contributions towards tangible capital assets.</p>

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## John Howard Society of Ottawa Summary of Significant Accounting Policies

**March 31, 2018**

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<b>Allocation of Expenses</b>	The Society's incurs certain expenses applicable to more than one program. In the current year, the basis for allocation of these expenses across the programs they relate to is allocated as a function of program revenues. In previous years this estimate had been based on salaries, benefits and clinical expenses of each program. This change in estimate has been accounted for prospectively.
<b>Contributed Services and Materials</b>	Volunteers contribute a significant number of hours per year to assist the Society in carrying out its purpose. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements. Contributed materials, if any, are not recognized in these financial statements.
<b>Cash and Cash Equivalents</b>	The Society's policy is to disclose bank balances under cash and cash equivalents including bank indebtedness with balances that fluctuate frequently from being positive to overdrawn, term deposits with a maturity period of three months or less from the date of acquisition and guaranteed investment certificates that are redeemable prior to maturity without penalty.
<b>Pension Plan</b>	This Society provides a defined contribution pension plan through the John Howard Society of Ontario.

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## John Howard Society of Ottawa Notes to Financial Statements

**March 31, 2018**

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**1. Accounts Receivable**

	<u>2018</u>	<u>2017</u>
Accounts receivable	\$ 1,245,485	\$ 1,017,520
Accrued interest	8,109	11,125
Repair reserve	26,650	14,350
HST receivable	620,863	290,520
	<u>\$ 1,901,107</u>	<u>\$ 1,333,515</u>

As at March 31, 2018, amounts owing from one funder represents 20% of the balance (2017 - 48%)

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**2. Related Party Transactions**

The John Howard Society of Ottawa paid the John Howard Society of Ontario a total of \$839,566 (2017 - \$731,926) for their administration of the employee benefit package, network support, and other expenditures.

The employee benefit package consists of a defined contribution plan, and, a multi-employer pension plan accounted for as a defined contribution plan. The Society recognizes as expenses for current services the amount of its required contribution in a given year. Contributions made to the pension plans in the current year were \$394,145 (2017 - \$371,197).

During 2013, an amount of \$200,000 was loaned to the John Howard Society of Toronto at 2.5% interest per annum, repayable in monthly instalments of \$3,549 including interest. The loan was granted for the purpose of acquiring a property and is secured by way of a second mortgage on said property.

During 2016, an amount of \$400,000 was loaned to the John Howard Society of Ontario at 4.0% interest per annum, repayable in monthly instalments of \$2,952 including interest. The loan was granted for the purpose of acquiring a property and is secured by way of a second mortgage on said property.

The Society periodically advances amounts to Rideau Social Enterprises (RSE), a charitable entity under significant influence of the Society. Such advances are interest free and unsecured, with an outstanding balance of \$70,666 (\$31,425 in 2017) as at March 31, 2018.

RSE assists in the delivery of certain client services which includes cleaning, recycling, repairs and maintenance in the amount of \$101,447 (2017 - \$68,300) for the year. The Society uses RSE for its placement programs and RSE was eligible for \$54,066 (2017 - \$31,772) in placement incentives for the year.

These transactions are measured at the exchange amount, which are the amounts established and accepted by the parties.

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## John Howard Society of Ottawa Notes to Financial Statements

**March 31, 2018**

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### 3. Investments

Investments consist of term deposits of \$649,707 (2017 - \$647,206) that bear annual interest rates varying from 0.50% to 1.75% (2017 - from 0.50% to 1.75%) maturing from December 2018 to February 2019.

Also included in investments is a capital contribution of \$544,604 (2017 - \$500,000) to the Community Foundation of Ottawa, a registered charity that pools amounts received into a permanent, income earning endowment fund. The investment, managed by the Foundation, has an estimated yield of 6.50% per annum, and shall be held for at least 5 years to March 2020.

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### 4. Tangible Capital Assets

	Cost	Accumulated Amortization	2018	2017
Land	\$ 3,374,569	\$ -	\$ 3,374,569	\$ 3,374,569
Buildings	22,940,609	4,691,547	18,249,062	12,506,873
Leasehold improvements	581,806	447,918	133,888	48,796
Office furniture and equipment	502,658	428,300	74,358	145,605
	<b>\$ 27,399,642</b>	<b>\$ 5,567,765</b>	<b>\$ 21,831,877</b>	<b>\$ 16,075,843</b>

Buildings includes construction in-progress of \$8,318,109 (2017 - \$1,878,577) for which no amortization has been recorded as the asset is not yet in use.

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### 5. Bank Indebtedness

The Society has arranged a commercial line of credit to a maximum of \$1,000,000 (2017 - \$1,000,000), of which \$46,571 was utilized as at March 31, 2018 (2017 - \$Nil). The line of credit bears interest at prime plus 1.5% (2017 - prime plus 1.5%) and is secured by a general assignment of the Society's accounts receivable.

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## John Howard Society of Ottawa Notes to Financial Statements

**March 31, 2018**

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### 6. Accounts Payable and Accrued Liabilities

	2018	2017
Accounts payable and accrued liabilities	\$ 1,150,797	\$ 1,093,590
Salaries payable	380,170	307,534
	<b>\$ 1,530,967</b>	<b>\$ 1,401,124</b>

Included in accounts payable and accrued liabilities is an amount of \$85,746 (2017 - \$7,337) due to a related party.

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### 7. Long-Term Debt

	2018	2017
Mortgage payable on land and building, secured by the Summerville property and assignment of rents with a net book value of \$2,137,342 - 3.60%, maturing December 2028, payable in monthly instalments of \$1,075, principal and interest	\$ 114,582	\$ 123,402
Mortgage payable on land and building, secured by the Gardner property and assignment of rents with a net book value of \$5,812,465 - 3.03%, maturing December 2025, payable in monthly instalments of \$3,964, principal and interest	1,073,141	1,088,150
Mortgage payable on land and building, secured by the Russell Road property and assignment of rents with a net book value of \$1,332,337 - 3.00%, maturing December 2041, payable in monthly instalments of \$5,981, principal and interest	1,221,077	1,255,206
Mortgage payable on land and building, secured by the Carruthers property and assignment of rents with a net book value of \$7,942,574 - variable interest equal to the Canada Mortgage Bond Yield rate plus a number of basis points equivalent to a rate at which the lender is able to charge on similar products, the resulting interest rate, as described in Note 10, is not to exceed 3.25% per annum, matures December 2027, payable in monthly instalments of \$11,897, principal and interest	3,193,359	-
	<b>5,602,159</b>	2,466,758
Less: Current portion of long-term debt	96,212	58,216
	<b>\$ 5,505,947</b>	<b>\$ 2,408,542</b>

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## John Howard Society of Ottawa Notes to Financial Statements

**March 31, 2018**

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**7. Long-Term Debt (continued)**

Long-term debt principal repayments balances over the next five years, and thereafter, are as follows:

	\$	
2019		96,212
2020		102,633
2021		105,917
2022		109,308
2023		179,546
Thereafter		<u>5,008,543</u>
	\$	<u><u>5,602,159</u></u>

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**8. Deferred Contributions - Tangible Capital Assets**

Deferred contributions related to tangible capital assets include the unamortized balance of capital asset contributions received. These deferred contributions comprise:

	<u>2018</u>	<u>2017</u>
Capital assets		
Buildings- opening balance	\$ 10,112,715	\$ 8,561,765
Additions	2,759,714	2,037,500
Amortization	<u>(535,509)</u>	<u>(486,550)</u>
Buildings - ending balance	<u>12,336,920</u>	<u>10,112,715</u>
Leasehold improvements - opening balance	111,402	136,582
Additions	110,272	-
Amortization	<u>(25,180)</u>	<u>(25,180)</u>
Leasehold improvements - ending balance	<u>196,494</u>	<u>111,402</u>
	<u><u>\$ 12,533,414</u></u>	<u><u>\$ 10,224,117</u></u>

Certain contributions related to buildings contain restrictions in respect of long-term future program delivery.

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## John Howard Society of Ottawa Notes to Financial Statements

**March 31, 2018**

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### 9. Pension Plan

The Society participates in a multiemployer defined contribution pension plan. During the year, the Society's employer contributions to the pension plan totalled \$394,145 (2017 - \$371,197).

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### 10. Commitments

The Society is committed, under long-term lease contracts for the rental of premises in the aggregate amount of \$569,944. Minimum lease payments for the next four years approximate:

2019	\$ 142,486
2020	142,486
2021	142,486
2022	<u>142,486</u>
Total minimum lease payments	<u>\$ 569,944</u>

#### *Other operating agreements*

In connection with its operations, the Society regularly enters into agreements for the purchase of various supplies and services including the rental of equipment. Certain of these agreements extend beyond the end of the 2018 fiscal year. In the opinion of management, these agreements are in the normal course of Society's operations, are not abnormal in amount or nature and do not include a high degree of speculative risk.

#### *Fixed interest rate agreement on Carruthers property mortgage*

The Society has entered into agreement with First National Financial LP to buy down its interest rate, applicable to its mortgage of the Carruthers property as set out in Note 7, in the event that the resulting rate on the date of adjustment exceeds the ceiling rate of 3.25%.

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### 11. Internal Restrictions - Invested in Capital Assets

	<u>2018</u>	<u>2017</u>
Capital assets	\$ 21,831,877	\$ 16,075,843
Less amounts financed by:		
Long-term debt	(5,602,159)	(2,466,758)
Deferred contribution - tangible capital assets	<u>(12,533,414)</u>	<u>(10,224,117)</u>
Balance, end of year	<u>\$ 3,696,304</u>	<u>\$ 3,384,968</u>

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## John Howard Society of Ottawa Notes to Financial Statements

**March 31, 2018**

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### 12. Contingencies

#### Letter of guarantee

To comply with requirements in funding the Gardener project, the Society has secured a standby letter of guarantee in an amount of up to \$45,999 (2017 - \$45,999), which if drawn upon, must be repaid to the issuing bank. As at March 31, 2018, this standby letter of guarantee has not been drawn upon.

#### Pay equity contingency

During the year, the Society received notice of a potential liability relating to pay equity in the workforce. The amount of liability, if any, is not determinable by management. The adjustment for any realized costs relating to this liability will be recognized in the year it becomes due.

#### Other indemnification agreements

In the normal course of operations, the Corporation signs agreements whereby funds are provided for the execution of projects which are subject to restrictions as to the use of the funds. The sponsors of these projects can execute an audit of the financial records of the Corporation to ensure compliance with the project requirements. In the event that amounts to be reimbursed to the sponsor of a project are identified, the necessary adjustments will be recognized in the year they are identified.

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### 13. Financial Instruments

The Society is exposed to various risks through its financial instruments. The following analysis provides a measure of the company's risk exposure and concentrations as at March 31, 2018.

The Society does not use derivative financial instruments to reduce its interest rate risk exposure.

#### Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society manages liquidity risk by maintaining a sufficient reserve of cash and cash equivalents. The Society establishes budgets and cash estimate to ensure it has funds necessary to fulfil its obligations. The Society is exposed to liquidity risk related to its accounts payable and accrued liabilities and long term debt.

#### 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 Society's main credit risk relate to its contributions receivable, trade accounts receivable and loans receivable since failure of any of these parties to fulfill their obligations could result in significant financial losses for the Society. The Society is exposed to concentration of credit risk as disclosed in Note 1.

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## John Howard Society of Ottawa Notes to Financial Statements

**March 31, 2018**

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**13. Financial Instruments** (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The entity is mainly exposed to interest rate risk.

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. Fixed rate instruments subject the Society to a fair value risk, whereas floating rate instruments subject the Society to a cash flow risk. Investments and long-term debt bear interest at fixed and floating rates and the Society, is therefore, exposed to the risk of changes in fair value and cash flows resulting from interest rate fluctuations.

Changes in risk

During the year, the Society became exposed to interest rate risk specific to cash flow risk as a result of the issuance of a mortgage secured by the Carruther's property, in addition, the Society significantly increased liquidity risk as a result. There have been no other significant changes in the Society's risk exposure from the 2017 fiscal year.

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**14. Prior Period Adjustment**

During the year, it was discovered that there was a prior year error relating to depreciation was not previously being charged in accordance with the Society's accounting policies to one of their buildings in the amount of \$149,219. Furthermore, it was discovered that the recognition of contributions for tangible capital assets, in the amount of \$88,819, was not being recognized over the term of the benefit being provided for.

The effect of these adjustments, prior to their reclassification as described in Note 15, were accounted for in opening net assets as follows:

	Previously Reported	Adjustments	Restated
<b>Statement of Financial Position</b>			
<u>Assets</u>			
Tangible capital assets	\$ 16,225,062	\$ (149,219)	\$ 16,075,843
<u>Liabilities</u>			
Deferred contributions - Tangible capital assets	\$ 10,135,298	\$ 88,819	\$ 10,224,117

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**John Howard Society of Ottawa**  
**Notes to Financial Statements**

**March 31, 2018**

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14. **Prior Period Adjustment** (continued)

**Statement of Changes in Fund Balances**

Unrestricted - beginning of year	\$ 4,785,726	\$ (88,819)	\$ 4,696,907
Excess of revenues over expenses	594,737	(149,219)	445,518
Unrestricted - beginning of year	5,383,515	(238,038)	5,145,477

**Statement of Operations**

Amortization of tangible capital assets	\$ 725,968	\$ 149,219	\$ 875,187
Excess of revenues over expenses	594,737	(149,219)	445,518

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15. **Comparative Amounts and Financial Disclosures**

The comparative amounts and financial statement disclosures of the previous year have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year net assets.

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**John Howard Society of Ottawa  
Supplementary Information**

**For the year ended March 31**

**2018**

**2017**

	Administration	Youth Justice Services	Adult Housing	Adult Justice Services	Employment and Training	Inter-Program Revenue/ Expenses	Total	Total
<b>Revenues</b>								
Federal funding	\$ -	\$ -	\$ 3,036,815	\$ 25,064	\$ -	\$ -	\$ 3,061,879	\$ 2,844,742
Provincial funding	-	869,916	482,139	954,320	2,021,275	-	4,327,650	3,728,191
Municipal funding	-	882,930	595,398	373,389	7,000	-	1,858,717	1,804,301
United Way of Ottawa	46	81,717	-	81,653	99,047	-	262,463	249,432
Rental income	17,500	137,080	282,528	-	10,000	(17,500)	429,608	454,402
Fundraising, donations and memberships	-	-	500	14,228	-	-	14,728	10,808
Other contributions	87,282	70,032	21,585	1,425	53,746	-	234,070	229,516
Amortization of deferred contributions - tangible capital assets	-	232,355	328,334	-	-	-	560,689	511,730
Administration	772,849	-	-	-	-	(772,849)	-	-
	<b>877,677</b>	<b>2,274,030</b>	<b>4,747,299</b>	<b>1,450,079</b>	<b>2,191,068</b>	<b>790,349</b>	<b>10,749,804</b>	<b>9,833,122</b>
<b>Expenses</b>								
Salaries and employee benefits	291,543	1,383,635	2,546,035	1,097,777	1,098,103	-	6,417,093	5,586,418
Operating	303,586	409,137	1,321,157	181,043	974,266	(17,500)	3,171,689	2,774,610
Administration	125,902	116,671	267,370	178,115	114,051	(772,849)	29,260	113,778
Interest on long-term debt	-	3,456	68,301	-	-	-	71,757	37,611
Amortization of tangible capital assets	1,365	255,488	594,105	1,628	3,205	-	855,791	875,187
	<b>722,396</b>	<b>2,168,387</b>	<b>4,796,968</b>	<b>1,458,563</b>	<b>2,189,625</b>	<b>(790,349)</b>	<b>10,545,590</b>	<b>9,387,604</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 155,281</b>	<b>\$ 105,643</b>	<b>\$ (49,669)</b>	<b>\$ (8,484)</b>	<b>\$ 1,443</b>	<b>\$ -</b>	<b>\$ 204,214</b>	<b>\$ 445,518</b>

**John Howard Society of Ottawa**  
**Youth Justice Services - Supplementary Information**

**For the year ended March 31**

**2018    2017**

	Non-Residential Attendance Centre	Young Women's Residence	Young Men's Residence	Life Skills Contract	Time 4 Change	YHBCM	Making the Shift	Choices and Youth Diversion	On Point GPIP	Youth Buildings	Total	Total
<b>Revenues</b>												
Provincial funding	\$ 387,512	\$ -	\$ 227,000	\$ 122,322	\$ -	\$ -	\$ -	\$ -	\$ 122,962	\$ 10,120	\$ 869,916	\$ 845,092
Municipal funding	-	388,595	166,402	-	212,725	81,486	-	1,000	-	32,722	882,930	876,205
United Way of Ottawa	-	51,482	30,235	-	-	-	-	-	-	-	81,717	79,331
Rental income	-	26,775	106,256	-	-	-	-	-	-	4,049	137,080	130,301
Other contributions	30,035	4,060	3,352	-	334	-	23,009	9,242	-	-	70,032	37,154
Amortizations of deferred contributions - tangible capital assets	-	125,518	106,837	-	-	-	-	-	-	-	232,355	238,273
	<b>417,547</b>	<b>596,430</b>	<b>640,082</b>	<b>122,322</b>	<b>213,059</b>	<b>81,486</b>	<b>23,009</b>	<b>10,242</b>	<b>122,962</b>	<b>46,891</b>	<b>2,274,030</b>	<b>2,206,356</b>
<b>Expenses</b>												
Salaries and employee benefits	285,267	292,791	337,320	122,322	168,278	56,011	14,552	820	106,274	-	1,383,635	1,322,788
Operating	90,130	92,443	155,946	-	34,623	19,157	5,649	3,633	6,356	1,200	409,137	352,340
Administration	27,900	27,196	31,808	-	10,000	6,627	2,808	-	10,332	-	116,671	154,883
Interest on long-term debt	-	3,456	-	-	-	-	-	-	-	-	3,456	4,608
Amortization of tangible capital assets	14,250	126,072	115,008	-	158	-	-	-	-	-	255,488	257,502
	<b>417,547</b>	<b>541,958</b>	<b>640,082</b>	<b>122,322</b>	<b>213,059</b>	<b>81,795</b>	<b>23,009</b>	<b>4,453</b>	<b>122,962</b>	<b>1,200</b>	<b>2,168,387</b>	<b>2,092,121</b>
<b>Excess (deficiency) of revenues over expenses</b>	\$ -	\$ 54,472	\$ -	\$ -	\$ -	\$ (309)	\$ -	\$ 5,789	\$ -	\$ 45,691	\$ 105,643	\$ 114,235

## John Howard Society of Ottawa Adult Housing - Supplementary Information

For the year ended March 31

2018      2017

	Kirkpatrick House	St. Anne Street Location	Bank Street Location	TRHP	Reporting Centre	Gardener Street Location	Inuit CRF	Bail Carruthers Residence Operations	Total	Total	
<b>Revenues</b>											
Federal funding	\$ 840,812	\$ 1,354,902	\$ 554,956	\$ -	\$ 73,547	\$ -	\$ 212,598	\$ -	\$ -	\$ 3,036,815	\$ 2,824,110
Provincial funding	-	-	-	186,691	-	-	-	295,448	-	482,139	234,144
Municipal funding	-	-	-	-	-	538,227	-	-	57,171	595,398	570,335
Rental income	-	-	-	24,813	-	212,839	9,000	35,876	-	282,528	313,974
Fundraising, donations and memberships	-	-	-	-	-	500	-	-	-	500	500
Other contributions	-	-	-	-	-	21,585	-	-	-	21,585	37,427
Amortization of deferred contributions - tangible capital assets	-	55,655	25,179	-	-	247,500	-	-	-	328,334	273,457
	<b>840,812</b>	<b>1,410,557</b>	<b>580,135</b>	<b>211,504</b>	<b>73,547</b>	<b>1,020,651</b>	<b>221,598</b>	<b>331,324</b>	<b>57,171</b>	<b>4,747,299</b>	<b>4,253,947</b>
<b>Expenses</b>											
Salaries and employee benefits	509,791	631,664	300,524	134,401	86,547	418,721	229,815	228,362	6,210	2,546,035	2,172,871
Operating	176,344	305,089	140,137	59,588	6,949	306,128	195,447	87,355	44,120	1,321,157	900,913
Administration	49,920	62,944	34,673	14,775	4,282	45,778	27,011	21,146	6,841	267,370	261,196
Interest on long-term debt	-	-	-	-	-	32,559	35,742	-	-	68,301	33,003
Amortization of tangible capital assets	3,712	102,968	30,526	9,767	-	383,010	30,571	33,551	-	594,105	608,290
	<b>739,767</b>	<b>1,102,665</b>	<b>505,860</b>	<b>218,531</b>	<b>97,778</b>	<b>1,186,196</b>	<b>518,586</b>	<b>370,414</b>	<b>57,171</b>	<b>4,796,968</b>	<b>3,976,273</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 101,045</b>	<b>\$ 307,892</b>	<b>\$ 74,275</b>	<b>\$ (7,027)</b>	<b>\$ (24,231)</b>	<b>\$ (165,545)</b>	<b>\$ (296,988)</b>	<b>\$ (39,090)</b>	<b>\$ -</b>	<b>\$ (49,669)</b>	<b>\$ 277,674</b>

**John Howard Society of Ottawa  
Adult Justice Services - Supplementary Information**

For the year ended March 31

2018 2017

	Community Justice	Post Incarceration House Supports	Crisis and Re- integration Services	Supports in Social Housing	Rooming House Project	Bail Verificat- ion and Supervision	Justice HBCM	Mental Health Bail	Pembroke Bail	Rural Bail	Justice Housing Peer Support	Total	Total
<b>Revenues</b>													
Federal funding	\$ -	\$ -	\$ 25,064	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,064	\$ 20,632
Provincial funding	25,928	-	61,760	-	-	634,065	-	72,700	81,700	78,167	-	954,320	614,050
Municipal funding	-	128,303	-	133,041	76,752	-	29,715	-	-	-	5,578	373,389	357,761
United Way of Ottawa	-	-	81,653	-	-	-	-	-	-	-	-	81,653	93,416
Fundraising, donations and memberships	-	-	14,122	-	-	106	-	-	-	-	-	14,228	10,308
Other contributions	-	135	200	200	-	890	-	-	-	-	-	1,425	1,263
	<b>25,928</b>	<b>128,438</b>	<b>182,799</b>	<b>133,241</b>	<b>76,752</b>	<b>635,061</b>	<b>29,715</b>	<b>72,700</b>	<b>81,700</b>	<b>78,167</b>	<b>5,578</b>	<b>1,450,079</b>	<b>1,097,430</b>
<b>Expenses</b>													
Salaries and employee benefits	23,872	87,697	149,697	91,479	56,426	507,018	11,438	59,772	49,441	60,457	480	1,097,777	843,944
Operating	2,330	16,567	13,576	17,291	8,109	50,633	13,777	4,735	32,259	17,710	4,056	181,043	136,515
Administration	4,750	24,174	23,590	24,603	12,217	76,028	4,500	8,193	-	-	60	178,115	153,248
Amortization of tangible capital assets	-	-	246	-	-	1,382	-	-	-	-	-	1,628	3,838
	<b>30,952</b>	<b>128,438</b>	<b>187,109</b>	<b>133,373</b>	<b>76,752</b>	<b>635,061</b>	<b>29,715</b>	<b>72,700</b>	<b>81,700</b>	<b>78,167</b>	<b>4,596</b>	<b>1,458,563</b>	<b>1,137,545</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (5,024)</b>	<b>\$ -</b>	<b>\$ (4,310)</b>	<b>\$ (132)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 982</b>	<b>\$ (8,484)</b>	<b>\$ (40,115)</b>



**John Howard Society of Ottawa**  
**Employment and Training - Supplementary Information**

**For the year ended March 31**

**2018**

**2017**

	Canada Ontario Job Grant	Employment Ontario	Youth Job Link	Pre- -Employment Training	Total	Total
<b>Revenues</b>						
Provincial funding	\$ 414,932	\$ 1,247,803	\$ 52,202	\$ 306,338	\$ 2,021,275	\$ 2,034,905
Municipal funding	-	-	-	7,000	7,000	-
United Way of Ottawa	-	-	-	99,047	99,047	76,685
Rental income	-	10,000	-	-	10,000	10,127
Other contributions	-	5,833	-	47,913	53,746	121,366
	<b>414,932</b>	<b>1,263,636</b>	<b>52,202</b>	<b>460,298</b>	<b>2,191,068</b>	<b>2,243,083</b>
<b>Expenses</b>						
Salaries and employee benefits	54,022	694,858	36,963	312,260	1,098,103	1,009,475
Operating	357,862	487,222	12,083	117,099	974,266	1,124,241
Administration	3,228	76,728	3,156	30,939	114,051	107,893
Amortization of tangible capital assets	-	3,205	-	-	3,205	3,205
	<b>415,112</b>	<b>1,262,013</b>	<b>52,202</b>	<b>460,298</b>	<b>2,189,625</b>	<b>2,244,814</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (180)</b>	<b>\$ 1,623</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,443</b>	<b>\$ (1,731)</b>