

JOHN HOWARD SOCIETY OF TORONTO
FINANCIAL STATEMENTS
FOR THE YEAR MARCH 31, 2022

**JOHN M LINDSAY PROFESSIONAL CORPORATION
33 CARNFORTH DRIVE
BRAMPTON, ONTARIO L6Z 1T8
INDEPENDENT AUDITORS' REPORT**

To the Directors of John Howard Society of Toronto

We have audited the accompanying financial statements of John Howard Society of Toronto which comprise the statement of financial position as at March 31, 2022 and March 31, 2021, the statement of operations and changes in fund assets, schedule of operations and cash flow statement for the years then ended, schedules of supplementary operations and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements presents fairly, in all material respects, the financial position of the organization as at March 31, 2022 and March 31, 2021 and its financial performance and its cash flows for the years ended March 31, 2022 and March 31, 2021 in accordance with Canadian accounting standards for not-for-profit enterprises.

Basis for Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities For the Audit of 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

As described in Note 3, the Society is not adding renovation costs to the cost of one its buildings. As a result , the capital cost is understated by \$338,038 less amortization of \$161,000 which would have been recorded since 2004. In addition, the Society is not adding to capital costs for software, vehicles and leaseholds costs from a City of Toronto grant in 2019. As a result, capital assets are understated by \$116,000 less amortization of \$100,000 which would have been recorded since 2019. In common with many charitable organizations the Society derives revenue from fundraising activities and donations, the completeness of which is not susceptible to satisfactory audit verification, Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Society and I was not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, current assets, fund balances and unearned revenue.

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.

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

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

Auditor's Responsibility 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 misstatements 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 generally accepted audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud and or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

As part of the audit , in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than 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 organizations internal control.

Evaluate the appropriateness of accounting policies 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 organizations' ability to continue as 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 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.

Brampton, Ontario
July 28, 2022



John M Lindsay, CPA,
John M Lindsay Prof Corp

Authorized to practice public accounting by the Chartered Professional Accountants of Ontario

**JOHN HOWARD SOCIETY OF TORONTO
FINANCIAL STATEMENTS
MARCH 31, 2022**

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**JOHN HOWARD SOCIETY OF TORONTO
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022**

ASSETS

	<u>2022</u>	<u>2021</u>
<u>CURRENT</u>		
Cash	\$ -	\$ 236,549
Cash-operating reserve (note 2)	781,735	777,838
Cash-Bingo (note 18)	41,174	14,990
Accounts receivable	65,727	97,544
Accounts receivable-government	422,355	336,562
HST receivable	31,194	55,524
Prepaid expenses	<u>78,015</u>	<u>77,998</u>
 Total current assets	 1,420,200	 1,597,005
<u>LONG TERM</u>		
Cash-Building reserves (note 2)	22,984	11,493
Capital assets (notes 3 & 4)	<u>2,529,735</u>	<u>2,624,374</u>
 Total long term assets	 <u>2,552,719</u>	 <u>2,635,867</u>
	<u>\$ 3,972,919</u>	<u>\$ 4,232,872</u>

LIABILITIES

<u>CURRENT</u>		
Bank indebtedness	\$ 107,217	-
Bank loan (note 6 & 12)	14,000	-
Accounts payable & accrued liabilities	508,121	\$ 595,469
Accounts payable-government	1,712	2,273
Deferred Contributions (note 5)	18,820	153,895
Current portion of long-term debt (note 6 & 7)	<u>1,101,317</u>	<u>129,252</u>
 Total current liabilities	 <u>1,751,187</u>	 <u>880,889</u>
<u>LONG TERM</u>		
Mortgages payable (note 6 & 7)	-	1,101,093
	<u>-</u>	<u>1,101,093</u>
 Total liabilities	 <u>1,751,187</u>	 <u>1,981,982</u>

FUND BALANCES

Benevolent Fund (note 2)	1,730	1,730
Operating Reserve Fund (note 2)	781,735	773,575
Eglinton Building Reserve Fund (note 2)	12,000	-
419 Jones Reserve Fund (note 2)	10,984	11,493
General Fund (note 2)	<u>1,415,283</u>	<u>1,464,092</u>
	<u>2,221,732</u>	<u>2,250,890</u>
	<u>\$ 3,972,919</u>	<u>\$ 4,232,872</u>

On behalf of the Board:

	Director
	Director

JOHN HOWARD SOCIETY OF TORONTO
STATEMENT OF OPERATIONS
FOR THE YEAR MARCH 31, 2022

	<u>2022</u>	<u>2021</u>
<u>REVENUE</u>		
United Way	\$ 471,682	\$ 559,346
Delta Bingo	31,834	8,943
City of Toronto	1,538,345	1,344,335
Government of Canada-CSC & Public Safety	2,282,107	1,721,658
Ministry of Attorney General	832,638	830,567
Foundations & other agencies	206,365	151,039
Ministry of Community & Social Services	394,341	375,533
Fees for service	93,581	124,633
Donations and fundraising	142,273	55,471
Covid 19 (Note 15)	94,418	370,115
Other	13,746	16,596
	<u>6,101,330</u>	<u>5,558,236</u>
<u>EXPENSES</u>		
Advertising & promotion	5,757	4,257
Amortization	108,940	102,444
Bank charges	1,943	2,132
Food	66,794	68,241
Furniture, equipment, computer lease	26,225	37,130
Insurance	36,126	31,799
Mortgage interest	50,450	55,843
Office supplies & expense	48,898	49,618
Postage, fax, courier, publications	8,976	9,979
Printing, copying	10,910	10,942
Professional fees	169,584	279,392
Program	775,000	487,802
Program-Covid 19	42,509	74,728
Rent	185,247	182,670
Salaries & benefits	4,212,807	3,868,948
Security system & cleaning & maintenance	173,819	215,401
Staff training	18,788	13,794
Telephone & internet	95,231	97,917
Travel	40,543	28,642
Utilities	63,432	58,621
	<u>6,141,979</u>	<u>5,680,300</u>
Excess of Expenses over Revenues	<u>\$ (40,649)</u>	<u>\$ (122,064)</u>

The accompanying notes are an integral part of these financial statements 3

**JOHN HOWARD SOCIETY OF TORONTO
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2022**

	<u>2022</u>	<u>2021</u>
<u>Benevolent Fund</u>		
Balance, beginning of year	\$ 1,730	\$ 1,730
Expenses paid	-	-
Balance, end of year	<u>\$ 1,730</u>	<u>\$ 1,730</u>
<u>419 Jones Reserve Fund</u>		
Balance, beginning of year	\$ 11,493	\$ 27,359
Capital & expenses paid	(5,509)	(20,866)
Accrued during the year	5,000	5,000
Balance, end of year	<u>\$ 10,984</u>	<u>\$ 11,493</u>
<u>General Fund</u>		
Balance, beginning of year	\$ 1,464,092	\$ 1,586,156
Transfer to Operating Reserve Fund	(8,160)	-
Excess of Expenses over Revenue	(40,649)	(122,064)
Balance, end of year	<u>\$ 1,415,283</u>	<u>\$ 1,464,092</u>
<u>Operating Reserve Fund</u>		
Balance, beginning of year	\$ 773,575	\$ 773,575
Expenses paid	-	-
Allocation from General Fund	8,160	-
Balance, end of year	<u>\$ 781,735</u>	<u>\$ 773,575</u>
<u>Eglinton Building Reserve Fund</u>		
Balance, beginning of year		\$ -
Expenses paid		-
Accrued during the year	\$ 12,000	-
Balance, end of year	<u>\$ 12,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements 4

**JOHN HOWARD SOCIETY OF TORONTO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2022**

	<u>2022</u>	<u>2021</u>
<u>OPERATING ACTIVITIES:</u>		
Excess of Expenses over Revenue	\$ (40,649)	\$ (122,064)
Amortization	108,940	102,444
(Increase) Decrease in accounts receivable	31,817	(57,117)
(Increase) Decrease in accounts receivable-gov	(85,793)	141,553
(Increase) Decrease in HST receivable	24,330	(6,196)
Increase (Decrease) in accounts payable	(86,657)	(100,875)
Increase (Decrease) in accounts payable-gov	(561)	484
Increase (Decrease) in deferred contributions	(135,075)	29,280
(Increase) Decrease in prepaid expenses	17	(22,279)
Cash provided from operations	<u>(183,631)</u>	<u>(34,770)</u>
<u>FINANCING ACTIVITIES:</u>		
Increase (Decrease) in mortgages payable	\$ (129,028)	\$ (130,648)
Change in Eglinton Reserve Fund	12,000	\$ -
Change in Building Reserve Fund	(509)	(15,866)
	<u>(117,537)</u>	<u>(146,514)</u>
<u>INVESTING ACTIVITIES:</u>		
(Purchase) disposal of capital assets	<u>(15,026)</u>	<u>(109,344)</u>
NET INCREASE (DECREASE) IN CASH	(316,194)	(290,628)
CASH, at beginning of year	<u>1,040,870</u>	<u>1,331,498</u>
CASH, at end of year	<u>\$ 724,676</u>	<u>\$ 1,040,870</u>
<u>CASH IS REPRESENTED BY:</u>		
Cash	-	236,549
Bank indebtedness	(107,217)	-
Bank loan	(14,000)	-
Cash-Bingo	41,174	14,990
Cash-Building reserve fund	22,984	11,493
Cash-operating reserve	<u>781,735</u>	<u>777,838</u>
	<u>\$ 724,676</u>	<u>\$ 1,040,870</u>
INTEREST EXPENSE	<u>\$ 50,450</u>	<u>\$ 55,843</u>

The accompanying notes are an integral part of these financial statements 5

**JOHN HOWARD SOCIETY OF TORONTO
SCHEDULE OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2022**

	<u>2022</u>	<u>2021</u>
Ministry of Attorney General (page 7)	\$ (77,723)	\$ 7,507
Correctional Services Canada (page 8)	(150,342)	(241,299)
Other Programs (page 9)	187,416	111,728
Excess of Expenses over Revenues	<u>\$ (40,649)</u>	<u>\$ (122,064)</u>

The accompanying notes are an integral part of these financial statements 6

JOHN HOWARD SOCIETY OF TORONTO
SCHEDULE OF SUPPLEMENTARY OPERATIONS
MINISTRY OF THE ATTORNEY GENERAL
FOR THE YEAR ENDED MARCH 31, 2022

	Justice on Target Program <u>2022</u>	Partner Assault Response <u>2022</u>	PARS Court Referral <u>2022</u>	TOTAL <u>2022</u>	TOTAL <u>2021</u>
Revenue					
Covid19 Grants(Fed/Prov)	-	34,000	6,000	40,000	77,859
PARS		368,760	190,933	559,693	559,693
Anger Management	-			-	-
MAG Justice program	256,000			256,000	256,000
Fees for service	-	18,746	-	18,746	22,777
	\$ 256,000	\$ 421,506	\$ 196,933	\$ 874,439	\$ 916,329
Expenses					
Advertising & promotion	257	-	-	257	298
Amortization	52	-	750	802	7,330
Bookkeeping	2,971	5,906	3,699	12,576	10,698
Furniture, Equipment & Lease	283	1,252	654	2,189	3,812
Food	-	-	-	-	-
Insurance	2,300	500	-	2,800	2,800
Maintenance	3,907	3,834	3,765	11,506	13,033
Office supplies	4,550	1,730	456	6,736	4,924
Postage, courier	267	1,085	67	1,419	2,568
Printing, copying	3,000	342	342	3,684	1,532
Professional fees	4,000	2,999	2,699	9,698	22,871
Program	717	56,363	565	57,645	67,816
Rent	2,600	21,320	4,500	28,420	27,232
Salaries	225,928	328,262	234,180	788,370	716,901
Security system	99	120	99	318	3,145
Staff training	1,067	-	-	1,067	1,191
Telephone, Internet & Cable	9,945	3,927	4,362	18,234	16,259
Travel	48	-	104	152	1,035
Utilities	1,547	2,371	2,371	6,289	5,377
	\$ 263,538	\$ 430,011	\$ 258,613	\$ 952,162	\$ 908,822
Excess of Expenses over Revenue	\$ (7,538)	\$ (8,505)	\$ (61,680)	\$ (77,723)	\$ 7,507

The accompanying notes are an integral part of these financial statements 7

**JOHN HOWARD SOCIETY OF TORONTO
SCHEDULE OF SUPPLEMENTARY OPERATIONS
CORRECTIONAL SERVICES CANADA
FOR THE YEAR ENDED MARCH 31, 2022**

	CRF Walter Huculak House <u>2022</u>	CRF Don G. Evans Residences <u>2022</u>	CDRC CSC Day- Reporting Centre <u>2022</u>	<u>TOTAL</u> <u>2022</u>	<u>TOTAL</u> <u>2021</u>
Revenue					
United Way			45,252	45,252	50,280
CSC-Urine analysis			16,952	16,952	32,637
CSC – CRF High Risk	769,075			769,075	633,050
CSC – Contract Funding		457,584		457,584	455,851
CSC-CRDC			226,667	226,667	222,440
CSC-Women's Contract			162	162	869
Covid19 Grants(Fed/Other)	9,446	8,201	-	17,647	128,981
Donations & fundraising	-	-	-	-	1,200
Other revenue			1,777	1,777	1,874
	\$ 778,521	\$ 465,785	\$ 290,810	\$ 1,535,116	\$ 1,527,182
Expenses					
Advertising & promotion	642	641	-	1,283	-
Amortization	14,108	2,151	586	16,845	22,487
Bookkeeping	2,401	2,401	2,401	7,203	5,238
Building Reserve	5,000			5,000	5,000
Equipment lease charges	4,147	129	2,705	6,981	5,819
Food	23,502	17,750	1,669	42,921	48,601
Insurance	7,350	-	3,000	10,350	11,250
Maintenance	10,326	16,244	10,884	37,454	71,695
Mortgage interest	-			-	243
Office supplies	3,924	2,606	1,711	8,241	11,625
Postage, courier	1,210	67	134	1,411	1,331
Printing, copying	1,702	1,297	719	3,718	3,922
Professional fees	2,420	2,420	2,420	7,260	25,343
Program	17,179	14,420	2,156	33,755	70,340
Rent	3,600	48,000	24,113	75,713	74,750
Salaries & benefits	821,417	321,553	213,753	1,356,723	1,336,229
Security system	955	3,131	215	4,301	3,611
Staff training	1,566	1,557	45	3,168	2,249
Telephone & internet & cable	15,571	7,161	7,061	29,793	32,227
Travel	2,245	4,419	5,256	11,920	13,850
Utilities	12,673	7,174	1,571	21,418	22,671
	\$ 951,938	\$ 453,121	\$ 280,399	\$ 1,685,458	\$ 1,768,481
Excess of Revenue over Expenses	\$ (173,417)	\$ 12,664	\$ 10,411	\$ (150,342)	\$ (241,299)

The accompanying notes are an integral part of these financial statements 8

**JOHN HOWARD SOCIETY OF TORONTO
SCHEDULE OF OPERATIONS
OTHER PROGRAMS
FOR THE YEAR ENDED MARCH 31, 2022**

	<u>Total</u> <u>2022</u>	<u>Total</u> <u>2021</u>
Revenue		
United Way	\$ 426,430	\$ 509,066
Delta Bingo	31,834	8,943
City of Toronto	1,538,345	1,344,335
Govt of Cda- Public Safety Cda / ESDC	811,667	376,811
Foundations & other agencies	206,365	151,039
Ministry of Community Safety	394,341	375,533
Ministry of Attorney General	16,945	14,874
Donations & fundraising	142,273	54,271
Fee for services	74,835	101,856
Covid19 Grants(Fed/Other)	36,771	163,275
Other revenue	11,969	14,722
	<u>\$ 3,691,775</u>	<u>\$ 3,114,725</u>
Expenses		
Advertising & promotion	4,217	3,959
Amortization	91,293	72,627
Bank charges	1,943	2,132
Bookkeeping	28,242	18,984
Building Reserve	12,000	-
Equipment & lease charges	17,055	27,499
Food	23,873	19,640
Insurance	22,976	17,749
Maintenance	84,010	110,180
Mortgage interest	50,450	55,600
Office supplies	33,921	33,069
Postage, courier	6,146	6,080
Printing, copying	3,508	5,488
Professional fees	104,605	196,258
Program	726,109	424,374
Purchased Services	-	-
Rent	81,114	80,688
Salaries	2,067,714	1,815,818
Security system	19,230	8,736
Staff training	14,553	10,355
Telephone & internet	47,204	49,431
Travel	28,471	13,757
Utilities	35,725	30,573
	<u>\$ 3,504,359</u>	<u>\$ 3,002,997</u>
Excess of Revenue over Expenses	<u>\$ 187,416</u>	<u>\$ 111,728</u>

The accompanying notes are an integral part of these financial statements 9

**JOHN HOWARD SOCIETY OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022**

1. Purpose of the Organization

John Howard Society of Toronto is a local organization operating programs and services to ensure a safer community by helping people become responsible community members. It provides support services to people in conflict with the law and adults at imminent risk of coming into conflict with the law, in order to facilitate positive change in the community.

2. Summary of Significant Accounting Policies

The financial statements are prepared on the basis of Canadian generally accepted accounting principles for not-for-profit enterprises, the most significant of which, are described below:

Revenue Recognition

The Society follows the deferral method of accounting for contributions whereby restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions are recognized when received. Cash donations are recognized when received.

Capital Assets

Capital assets are stated at cost. Amortization of the Jones building is equal to the mortgage principal paid in accordance with the policies of Canada Mortgage and Housing Corporation. (See note 3 for exception to cost). The mortgage was paid off in 2021.

Other assets are amortized over their estimated useful lives on the straight line basis on a percentage declining balance at the following rates per annum:

Computer equipment	25%
Office equipment & software	10%
Furniture and fixtures	20%
Leasehold improvements	Straight line over lease term
Building-Eglinton	40yrs straight line
Building-Jones	Equal to annual mortgage principal paid Prior to 2021. 6% thereafter

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates

**JOHN HOWARD SOCIETY OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022**

and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. The most significant estimates in these financial statements include estimate of useful lives of capital assets.

Benevolent Fund

This fund was established to provide support to families of offenders.

419 Jones Reserve Fund

This fund was established to provide for future replacement of capital assets.

General Fund

The general fund represents the net accumulation of all revenue received and expenses incurred for the Society. It is used to provide funding for the programs and services of John Howard Society of Toronto.

Eglinton Building Reserve Fund

In 2017, the Board established this fund to provide for the renovations of the second floor at 1669 Eglinton Avenue. Construction was completed in 2019. Additional funds are now provided for future maintenance costs and capital improvements.

Operating Reserve Fund

In 2019, The United Way of Toronto, one of our major funders, recommended the organization establish an operating cash reserve fund equal to three months of the organization's salary base. Usage of this fund requires Board approval.

Financial Instruments

The organization initially measures its financial assets and financial liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in excess of revenue over expenses. Financial assets measured at cost include cash, HST receivable and accounts receivable. Financial liabilities measured at amortized cost include accounts payable & accrued liabilities and mortgages payable.

**JOHN HOWARD SOCIETY OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022**

Contributed Material and Services

This organization, in common with many non-profit organizations, makes extensive use of volunteers and donated materials in conducting its activities. Donated materials are recorded at the fair market value if it can be reasonably determined and a receipt has been issued, but no attempt has been made to quantify the value of volunteer services in these financial statements.

3. Renovation, Software and Vehicle Costs

The Society received two capital replacement grants which were used to pay for renovations to 419 Jones Avenue in 2004. The amounts paid for renovations are as follows:

City of Toronto – Housing Grant	\$ 248,038
City of Toronto – SCPI Grant	<u>90,000</u>
	\$ <u>338,038</u>

Due to a request from the City of Toronto, the accounting presentation is to record the renovation costs as an allocation of funds out of the City of Toronto grants. As a result, the cost of the renovations are not recorded in the value of the buildings on the statement of financial position. The cost of the land and buildings is understated by this amount. This presentation is not in accordance with generally accepted accounting principles. In 2019 the City of Toronto requested the accounting presentation to record software, vehicle and leasehold costs for Lakeshore Road as an allocation from operating grants. As a result, the cost of software, vehicle and leaseholds are not recorded in the statement of financial position. Therefore, these costs are understated by this amount. This presentation is not in accordance with generally accepted accounting principles.

Vehicle	\$19,500
Software	50,800
Leaseholds	<u>45,700</u>
Total	<u>\$116,000</u>

**JOHN HOWARD SOCIETY OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022**

4. Capital Assets

	<u>Cost</u>	<u>Accum Amort</u>	<u>2022 Net</u>	<u>2021 Net</u>
Land & bldg – 419 Jones	\$ 280,320	268,089	12,231	24,471
Land & bldg-Eglinton	2,771,858	339,264	2,435,594	2,476,026
Leasehold Improvements	113,836	113,836	-	-
Computer equipment	84,912	71,757	13,155	20,801
Computer software	75,405	72,308	3,097	32,036
Office equipment	80,208	40,809	39,399	37,786
Furniture and Fixtures	<u>94,035</u>	<u>64,776</u>	<u>29,259</u>	<u>33,254</u>
	<u>\$ 3,500,574</u>	<u>970,839</u>	<u>2,529,735</u>	<u>2,624,374</u>

5. Deferred Contributions

This amount represents contributions from government and private foundations which will be used for expenses in the future year.

6. Subsequent Events

Subsequent to the year end of 2021 the organization terminated the employment of an individual resulting in a settlement that provided for salary continuation. The remaining expenses related to this legal agreement will be incurred in the 2023 fiscal period.

The organizations' bank loan agreement at the balance sheet date was subject to a covenant clause, whereby the organization was required to meet a certain key financial ratio. The organization did not fulfill the debt service ratio at the balance sheet date as required in the contract for a line of credit of \$100,000 of which \$14,000 was drawn at the year end and mortgages payable of \$1,068,291. Due to this break of the covenant clause, the bank had the option to request for immediate repayment of the outstanding mortgages and line of credit. Subsequent to the balance sheet date the bank has removed the covenant entirely from the banking agreement based on the strong financial position of the organization.

7. Long-Term Debt

	2022	2021
Mortgage payable bearing interest at 4.15% per annum, repayable in monthly instalments of principal and interest of \$6,341, due February 20, 2023, secured by first priority on the Eglinton Avenue property with a net book value of \$2,435,594 Interest rate increase annually.	\$ 667,152	\$ 714,566

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<p>Mortgage payable bearing interest at 3% per annum, repayable in monthly instalments of \$5,000 interest and principal, due February 28, 2024, secured by second priority on the Eglinton Avenue property with a net book value of \$2,435,594 ranking pari passu with the mortgage noted above. (note 13)</p>	32,798	90,865
<p>Mortgage payable bearing interest at 4.80% per annum, repayable in monthly instalments of principal and interest of \$3,619, due May 13, 2024, secured by first priority on the Eglinton Avenue property with a net book value of \$2,476,026</p>	401,139	424,914
	1,101,089	1,230,345
Less: current portion	1,101,089	129,252
	-	1,101,093

Scheduled debt repayments to the maturity dates are as follows:

2023	\$1,101,089
Thereafter	Nil
	1,101,089

Interest on long-term debt for the year amounted to \$50,450(2021 – \$55,843)

8. Financial Instruments and Risks

Risks and concentrations

The organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the organizations risk exposure at the statement of financial position date, March 31, 2022:

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Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Sufficient liquidity is maintained by regularly monitoring of cash flow requirements. The organization's liquidity is adequate, as it holds a large amount of cash.

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 main credit risk is accounts receivable. Accounts receivable are primarily government, so collection risk is minimal and there is a wide range of funders.

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.

Currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization does not transact in foreign currencies.

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 not exposed to interest rate risk on its mortgages payable as the rates are generally fixed. The organization has one mortgage due in 2023 and any interest rate changes could impact cash flow.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial

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instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is not exposed to other price risk.

9. Income Tax Status

The Society is a registered non-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

10. Economic Dependence

The organization receives a substantial amount of its revenue from the Federal Government, Ontario Government and City of Toronto and is financially dependent on the government for funding.

11. Commitments

The society has operating lease commitments in respect of equipment and premises which end at various times from 2022 through 2025. Total payments remaining over the lease terms are as follows:

2023	125,622
2024	101,644
2025	3,800

12. Line of Credit

The Organization has a revolving operating facility for \$100,000 secured by a General Security Agreement covering all assets. The facility bears interest at the prime rate plus 1.25% per annum and is repayable on demand. As at March 31, 2022 the outstanding balance related to the credit facility was \$14,000 (2021 - \$Nil).

13. Transactions with Related Parties

The John Howard Society of Toronto is an affiliate of The John Howard Society of Ontario. During the year, the society made payments to The John Howard Society of Ontario for benefits administration in the amount of \$67,282 (2021 - \$60,184). In addition, the society made payments to the John Howard Society of Ontario for pension and health benefits in the amount of \$336,824 (2021-\$268,389). The society made payments of

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interest and principal on a mortgage of \$1,932 and \$58,068 in 2022 (2021,\$3,646 and \$56,354). As outlined in Note 7 the balance on this mortgage in 2022 is \$32,798 (2021-\$90,865). These transactions are in the normal course of operations and are measured at the exchange amount which is the amount determined and agreed to by the related parties.

14.COVID 19

The Covid 19 pandemic has developed rapidly in 2020 to 2022, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity and the organizations business in a significant way. Due to government measures taken, we have had to close our facilities at various points in time.

As a result of these effects our cumulative revenue during the year 2021 was approximately 4.7% lower than 2020 revenues in the same period. Revenue has bounced back in 2022 to pre-Covid 19 levels. The organizations operating results have declined significantly.

Governments have implemented a number of assistance measures which mitigate some of the impact of Covid 19. To the extent appropriate we have applied for such assistance.

15.COVID 19 Grants

	<u>2022</u>	<u>2021</u>
Federal Government	\$44,658	\$263,358
Ontario Government	40,000	40,525
City of Toronto	9,760	40,020
United Way	-	7,567
Other Agencies	-	<u>18,645</u>
Total	<u>94,418</u>	<u>370,115</u>

16.Defined Contribution Pension Plan

The organization has a defined contribution pension plan. A defined contribution plan is a type of retirement plan in which the organization and employee make contributions. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts. Expense for 2022 is \$184,491 (2021-\$140,081)

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17. Bingo Cash Account

Funds raised from lottery events are to be deposited to the business account, to be used based on a specific list of approved projects.