

JOHN HOWARD SOCIETY OF TORONTO
FINANCIAL STATEMENTS
FOR THE YEAR MARCH 31, 2023

**JOHN HOWARD SOCIETY OF TORONTO
FINANCIAL STATEMENTS
MARCH 31, 2023**

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

To the Directors of John Howard Society of Toronto

Opinion

I have audited the accompanying financial statements of John Howard Society of Toronto which comprise the statement of financial position as at March 31, 2023 and March 31, 2022, the statement of operations, statement of changes in fund balances, statement of cash flows, schedules of supplementary operations for the years then ended and notes to the financial statement. including a summary of significant accounting policies.

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, 2023 and March 31, 2022 and the results of its operations and its cash flows for the years ended March 31, 2023 and March 31, 2022 in accordance with Canadian accounting standards for not-for-profit enterprises.

Basis for Qualified Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities For the Audit of Financial Statements section of my report. I am independent of the organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 \$169,000 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 \$116,000 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

My 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 my 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, I exercise professional judgement and maintain professional skepticism throughout the audit.

I 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 my 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.

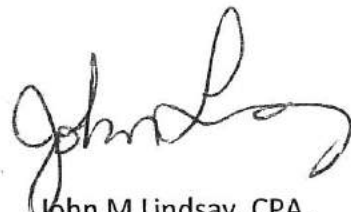
Evaluate the appropriateness of accounting policies and the reasonableness of accounting estimates and related disclosures made by management.

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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

Brampton, Ontario
June 26, 2023



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
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023**

ASSETS

	<u>2023</u>	<u>2022</u>
<u>CURRENT</u>		
Cash	\$ 396,302	-
Cash-operating reserve (note 2)	795,053	\$ 781,735
Cash-Bingo (note 17)	74,596	41,174
Accounts receivable	68,187	13,700
Accounts receivable-government	353,934	422,355
Due from affiliate-JHSO	169,148	52,027
HST receivable	40,541	31,194
Prepaid expenses	<u>99,235</u>	<u>78,015</u>
 Total current assets	 1,996,996	 1,420,200
<u>LONG TERM</u>		
Cash-Building reserves (note 2)	24,704	22,984
Capital assets (notes 2,3 & 4)	<u>2,492,068</u>	<u>2,529,735</u>
 Total long term assets	 <u>2,516,772</u>	 <u>2,552,719</u>
	<u>\$ 4,513,768</u>	<u>\$ 3,972,919</u>

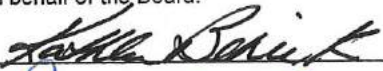
LIABILITIES


<u>CURRENT</u>		
Bank indebtedness	-	\$ 107,217
Bank loan (note 6 & 12)	-	14,000
Accounts payable & accrued liabilities	\$ 557,998	508,121
Accounts payable-government	164,215	1,712
Deferred Contributions (note 5)	198,500	18,820
Current portion of long-term debt (note 12 & 7)	<u>83,978</u>	<u>1,101,317</u>
 Total current liabilities	 <u>1,004,691</u>	 <u>1,751,187</u>
<u>LONG TERM</u>		
Mortgages payable (note 12 & 7)	<u>910,368</u>	-
	<u>910,368</u>	-
 Total liabilities	 <u>1,915,059</u>	 <u>1,751,187</u>

FUND BALANCES

Benevolent Fund (note 2)	1,730	1,730
Operating Reserve Fund (note 2)	795,053	781,735
Eglinton Building Reserve Fund (note 2)	13,086	12,000
419 Jones Reserve Fund (note 2)	11,619	10,984
General Fund (note 2)	<u>1,777,221</u>	<u>1,415,283</u>
	<u>2,598,709</u>	<u>2,221,732</u>
	<u>\$ 4,513,768</u>	<u>\$ 3,972,919</u>

On behalf of the Board:





Director

Director

JOHN HOWARD SOCIETY OF TORONTO
STATEMENT OF OPERATIONS
FOR THE YEAR MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
<u>REVENUE</u>		
United Way	\$ 468,780	\$ 471,682
Delta Bingo	75,572	31,834
City of Toronto	1,266,791	1,538,345
Government of Canada-CSC & Public Safety	2,472,212	2,282,107
Ministry of Attorney General	897,343	832,638
Foundations & other agencies	520,801	206,365
Ministry of Community & Social Services	357,929	394,341
Fees for service	93,800	93,581
Donations and fundraising	440,917	142,273
Covid 19 (Note 15)	376	94,418
Other	33,763	13,746
	<u>6,628,284</u>	<u>6,101,330</u>
<u>EXPENSES</u>		
Advertising & promotion	14,214	5,757
Amortization	49,035	108,940
Bank charges	1,261	1,943
Food	63,205	66,794
Furniture, equipment, computer lease	30,320	26,225
Insurance	41,502	36,126
Mortgage interest	46,806	50,450
Office supplies & expense	56,952	48,898
Postage, fax, courier, publications	6,896	8,976
Printing, copying	8,653	10,910
Professional fees	244,420	169,584
Program	951,617	775,000
Program-Covid 19	-	42,509
Rent	183,899	185,247
Salaries & benefits	4,157,377	4,212,807
Security system & cleaning & maintenance	156,452	173,819
Staff training	43,288	18,788
Telephone & internet	91,103	95,231
Travel	36,877	40,543
Utilities	69,151	63,432
	<u>6,253,028</u>	<u>6,141,979</u>
Excess of Revenue over Expenses	<u>\$ 375,256</u>	<u>\$ (40,649)</u>

**JOHN HOWARD SOCIETY OF TORONTO
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2023**

	<u>2023</u>	<u>2022</u>
<u>Benevolent Fund</u>		
Balance, beginning of year	\$ 1,730	\$ 1,730
Expenses paid	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 1,730</u>	<u>\$ 1,730</u>
<u>419 Jones Reserve Fund</u>		
Balance, beginning of year	\$ 10,984	\$ 11,493
Capital & expenses paid	(4,365)	(5,509)
Accrued during the year	<u>5,000</u>	<u>5,000</u>
Balance, end of year	<u>\$ 11,619</u>	<u>\$ 10,984</u>
<u>General Fund</u>		
Balance, beginning of year	\$ 1,415,283	\$ 1,464,092
Transfer to Operating Reserve Fund	(13,318)	(8,160)
Excess of Expenses over Revenue	<u>375,256</u>	<u>(40,649)</u>
Balance, end of year	<u>\$ 1,777,221</u>	<u>\$ 1,415,283</u>
<u>Operating Reserve Fund</u>		
Balance, beginning of year	\$ 781,735	\$ 773,575
Expenses paid	-	-
Allocation from General Fund	<u>13,318</u>	<u>8,160</u>
Balance, end of year	<u>\$ 795,053</u>	<u>\$ 781,735</u>
<u>Eglinton Building Reserve Fund</u>		
Balance, beginning of year	\$ 12,000	\$ -
Expenses paid	(10,914)	-
Accrued during the year	<u>\$ 12,000</u>	<u>12,000</u>
Balance, end of year	<u>\$ 13,086</u>	<u>\$ 12,000</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, 2023**

	<u>2023</u>	<u>2022</u>
<u>OPERATING ACTIVITIES:</u>		
Excess of Revenue over Expenses	\$ 375,256	\$ (40,649)
Amortization	49,035	108,940
(Increase) Decrease in accounts receivable	(54,487)	31,817
(Increase) Decrease in accounts receivable-gov	68,421	(121,905)
(Increase) Decrease in HST receivable	(9,347)	24,330
(Increase) Decrease in due from affiliate	(117,121)	36,112
Increase (Decrease) in accounts payable	49,878	(86,657)
Increase (Decrease) in accounts payable-gov	162,503	(561)
Increase (Decrease) in deferred contributions	179,680	(135,075)
(Increase) Decrease in prepaid expenses	(21,220)	17
Cash provided from operations	<u>682,598</u>	<u>(183,631)</u>
<u>FINANCING ACTIVITIES:</u>		
Increase (Decrease) in mortgages payable	\$ (106,971)	\$ (129,028)
Change in Eglinton Reserve Fund	1,086	\$ 12,000
Change in Building Reserve Fund	635	(509)
	<u>(105,250)</u>	<u>(117,537)</u>
<u>INVESTING ACTIVITIES:</u>		
(Purchase) disposal of capital assets	<u>(11,369)</u>	<u>(15,026)</u>
NET INCREASE (DECREASE) IN CASH	565,979	(316,194)
CASH, at beginning of year	<u>724,676</u>	<u>1,040,870</u>
CASH, at end of year	<u>\$ 1,290,655</u>	<u>\$ 724,676</u>
CASH IS REPRESENTED BY:		
Cash	396,302	-
Bank indebtedness	-	(107,217)
Bank loan	-	(14,000)
Cash-Bingo	74,596	41,174
Cash-Building reserve fund	24,704	22,984
Cash-operating reserve	<u>795,053</u>	<u>781,735</u>
	<u>\$ 1,290,655</u>	<u>\$ 724,676</u>
INTEREST EXPENSE	<u>\$ 46,806</u>	<u>\$ 50,450</u>

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

**JOHN HOWARD SOCIETY OF TORONTO
SCHEDULE OF SUPPLEMENTARY OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2023**

	<u>2023</u>	<u>2022</u>
Ministry of Attorney General (page 7)	\$ (45,574)	\$ (77,723)
Correctional Services Canada (page 8)	69,915	(150,342)
Crossroads Youth Program (page 9)	-	-
Other Programs (page 10)	350,915	187,416
Excess of Revenues over Expenses	<u>\$ 375,256</u>	<u>\$ (40,649)</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, 2023

	Justice on Target Program <u>2023</u>	Partner Assault Response <u>2023</u>	PARS Court Referral <u>2023</u>	TOTAL <u>2023</u>	TOTAL <u>2022</u>
Revenue					
Covid19 Grants(Fed/Prov)	-	-	-	-	40,000
PARS		391,980	225,762	617,742	559,693
Anger Management	-			-	-
MAG Justice program	256,000			256,000	256,000
Fees for service	-	24,697	-	24,697	18,746
	<u>\$ 256,000</u>	<u>\$ 416,677</u>	<u>\$ 225,762</u>	<u>\$ 898,439</u>	<u>\$ 874,439</u>
Expenses					
Advertising & promotion	279	224	587	1,090	257
Amortization	52	-	750	802	802
Bookkeeping	2,639	6,423	2,639	11,701	12,576
Food	-	41	-	41	-
Furniture, Equipment & Lease	787	2,054	713	3,554	2,189
Insurance	2,300	500	-	2,800	2,800
Maintenance	4,402	4,288	4,159	12,849	11,506
Office supplies	2,186	3,120	1,162	6,468	6,736
Postage, courier	298	654	136	1,088	1,419
Printing, copying	750	598	345	1,693	3,684
Professional fees	22,377	1,845	1,545	25,767	9,698
Program	147	66,896	8,140	75,183	57,645
Rent	2,600	21,079	4,500	28,179	28,420
Salaries	209,230	301,759	237,484	748,473	788,370
Security system	211	211	211	633	318
Staff training	1,571	565	655	2,791	1,067
Telephone, Internet & Cable	5,847	3,956	3,818	13,621	18,234
Travel	517	-	-	517	152
Utilities	1,779	2,492	2,492	6,763	6,289
	<u>\$ 257,972</u>	<u>\$ 416,705</u>	<u>\$ 269,336</u>	<u>\$ 944,013</u>	<u>\$ 952,162</u>
Excess of Expenses over Revenue	<u>\$ (1,972)</u>	<u>\$ (28)</u>	<u>\$ (43,574)</u>	<u>\$ (45,574)</u>	<u>\$ (77,723)</u>

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, 2023

	CRF Walter Huculak House <u>2023</u>	CRF Don G. Evans Residences <u>2023</u>	CDRC CSC Day- Reporting Centre <u>2023</u>	TOTAL <u>2023</u>	TOTAL <u>2022</u>
Revenue					
United Way			45,252	45,252	45,252
CSC-Urine analysis			-	-	16,952
CSC – CRF High Risk	836,933			836,933	769,075
CSC – Contract Funding		492,369		492,369	457,584
CSC-CRDC			229,745	229,745	226,667
CSC-Women's Contract			-	-	162
Covid19 Grants(Fed/Other)	-	-	-	-	17,647
Donations & fundraising	-	-	-	-	-
Other revenue			-	-	1,777
	\$ 836,933	\$ 492,369	\$ 274,997	\$ 1,604,299	\$ 1,535,116
Expenses					
Advertising & promotion	2,621	2,437	-	5,058	1,283
Amortization	(21,566)	2,663	304	(18,599)	16,845
Bookkeeping	2,684	2,684	2,639	8,007	7,203
Building Reserve	5,000	-	-	5,000	5,000
Equipment lease charges	6,888	-	1,322	8,210	6,981
Food	22,548	19,795	38	42,381	42,921
Insurance	8,300	-	3,250	11,550	10,350
Maintenance	15,391	5,262	10,178	30,831	37,454
Mortgage interest	-	-	-	-	-
Office supplies	7,160	3,461	1,423	12,044	8,241
Postage, courier	1,226	108	155	1,489	1,411
Printing, copying	582	530	42	1,154	3,718
Professional fees	1,509	1,265	3,765	6,539	7,260
Program	6,151	3,886	486	10,523	33,755
Rent	3,600	48,000	24,138	75,738	75,713
Salaries & benefits	648,168	392,771	225,335	1,266,274	1,356,723
Security system	1,453	4,889	1,053	7,395	4,301
Staff training	475	265	883	1,623	3,168
Telephone & internet & cable	13,523	8,746	6,862	29,131	29,793
Travel	3,050	2,151	1,940	7,141	11,920
Utilities	13,003	8,468	1,424	22,895	21,418
	\$ 741,766	\$ 507,381	\$ 285,237	\$ 1,534,384	\$ 1,685,458
Excess of Revenue over Expenses	\$ 95,167	\$ (15,012)	\$ (10,240)	\$ 69,915	\$ (150,342)

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

**JOHN HOWARD SOCIETY OF TORONTO
SCHEDULE OF SUPPLEMENTARY OPERATIONS
MCCSS-CROSSROADS YOUTH PROGRAM
FOR THE YEAR ENDED MARCH 31, 2023**

	<u>2023</u>	<u>2022</u>
Revenue		
Ministry of Community & Social Services	\$ 255,691	\$ 322,936
Donation	-	-
Foundations and Other Agencies	-	-
Other revenue	-	-
	<u>255,691</u>	<u>322,936</u>
Expenses		
Advertising & promotion	510	129
Amortization	1,416	29,613
Bank charges	-	-
Bookkeeping	2,684	2,401
Food	3,841	400
Equipment & lease charges	782	700
Insurance	1,000	1,000
Maintenance	4,648	4,238
Office supplies	9,684	820
Postage, courier	437	576
Printing, copying	411	389
Professional fees	1,265	2,420
Program	53,303	105,737
Rent	12,000	11,964
Salaries	152,203	153,351
Security system	211	99
Staff training	4,164	1,992
Telephone & internet	2,659	3,244
Travel	447	120
Utilities	4,026	3,743
	<u>255,691</u>	<u>322,936</u>
Excess of Expenses over Revenues	<u>\$ -</u>	<u>-</u>

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

JOHN HOWARD SOCIETY OF TORONTO
SCHEDULE OF SUPPLEMENTARY OPERATIONS
OTHER PROGRAMS
FOR THE YEAR ENDED MARCH 31, 2023

	<u>Total</u> <u>2023</u>	<u>Total</u> <u>2022</u>
Revenue		
United Way	\$ 423,528	\$ 426,430
Delta Bingo	75,572	31,834
City of Toronto	1,266,791	1,538,345
Govt of Cda- Public Safety Cda / ESDC	913,166	811,667
Foundations & other agencies	520,801	206,365
Ministry of Community & Social Services	102,238	71,405
Ministry of Attorney General	23,602	16,945
Donations & fundraising	440,917	142,273
Fee for services	69,103	74,835
Covid19 Grants(Fed/Other)	376	36,771
Other revenue	33,763	11,969
	<u>\$ 3,869,857</u>	<u>\$ 3,368,839</u>
Expenses		
Advertising & promotion	7,557	4,088
Amortization	65,416	61,680
Bank charges	1,261	1,943
Bookkeeping	30,304	25,841
Building Reserve	12,000	12,000
Equipment & lease charges	17,773	16,355
Food	16,941	23,473
Insurance	26,151	21,976
Maintenance	77,020	79,772
Mortgage interest	46,806	50,450
Office supplies	28,758	33,101
Postage, courier	3,882	5,570
Printing, copying	5,394	3,119
Professional fees	158,154	102,185
Program	812,603	620,372
Purchased Services	-	-
Rent	67,983	69,150
Salaries	1,990,426	1,914,363
Security system	5,864	19,131
Staff training	34,710	12,561
Telephone & internet	45,691	43,960
Travel	28,771	28,351
Utilities	35,466	31,982
	<u>\$ 3,518,931</u>	<u>\$ 3,181,423</u>
Excess of Revenue over Expenses	<u>\$ 350,926</u>	<u>\$ 187,416</u>

The accompanying notes are an integral part of these financial statements 10

**JOHN HOWARD SOCIETY OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

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. It is incorporated under the Business Corporations Act of Ontario with letters patent and no share capital. It is a registered charity under the Income Tax Act of Canada and therefore exempt from income tax.

2. Summary of Significant Accounting Policies

The financial statements are prepared on the basis of Canadian accounting standards for not-for-profit enterprises, in Part III of the CPA Canada Handbook and include the following significant accounting policies:

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

**JOHN HOWARD SOCIETY OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

Use of estimates

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

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value are recognized in excess of revenue over expenses. Financial assets measured at cost include cash, HST receivable, accounts receivable-government, due from affiliate and accounts receivable. Financial liabilities measured at amortized cost include accounts payable & accrued liabilities, accounts payable-government and mortgages payable.

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>

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4. Capital Assets

	<u>Cost</u>	<u>Accum</u> <u>Amort</u>	<u>2023</u> <u>Net</u>	<u>2022</u> <u>Net</u>
Land & bldg – 419 Jones	\$ 280,320	244,320	36,000	12,231
Land & bldg-Eglinton	2,771,858	382,697	2,389,161	2,435,594
Leasehold Improvements	113,836	113,836	-	-
Computer equipment	94,051	87,864	6,187	13,155
Computer software	75,405	72,308	3,097	3,097
Office equipment	80,208	48,285	31,923	39,399
Furniture and Fixtures	<u>96,266</u>	<u>70,566</u>	<u>25,699</u>	<u>29,259</u>
	<u>\$ 3,511,944</u>	<u>1,019,877</u>	<u>2,492,067</u>	<u>2,529,735</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 2023 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 2024 fiscal period.

7. Long-Term Debt

	<u>2023</u>	<u>2022</u>
Mortgage payable bearing interest at 6.46% per annum, repayable in monthly instalments of principal and interest of \$7,057, due February 20, 2026, secured by first priority on the Eglinton Avenue property with a net book value of \$2,389,121 Interest rate is fixed.	\$ 618,137	\$ 667,152

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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 \$2,389,121 ranking pari passu with the mortgage noted above. (note 13) - 32,798

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 \$2,389,121 376,209 401,139

	994,346	1,101,089
Less: current portion	83,978	1,101,089
	910,368	

Scheduled debt repayments to the maturity dates are as follows:

2024	\$83,978
2025	415,100
2026	495,258

Thereafter	Nil
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994,346

Interest on long-term debt for the year amounted to \$46,806(2022 – \$55,540)

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, 2023:

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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 2024 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 instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is not exposed to other price risk.

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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 2024 through 2025. Total payments remaining over the lease terms are as follows:

2024	233,641
2025	47,800

12. Line of Credit & Banking

The Organization has a revolving operating facility for \$350,000 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, 2023 the outstanding balance related to the credit facility was \$Nil (2022 - \$14,000).

The organizations' bank loan agreement in force at the March 31, 2022 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 March 31, 2022 balance sheet date the bank has removed the covenant entirely from the banking agreement based on the strong financial position of the organization.

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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 \$73,151 (2022 - \$67,282). In addition, the society made payments to the John Howard Society of Ontario for pension and health benefits in the amount of \$337,406 (2022-\$336,824). The society made payments of interest and principal on a mortgage of \$290 and \$32,797 in 2023 (in 2022,\$1,932 and \$56,068). As outlined in Note 7 the balance on this mortgage in 2023 is \$NIL (2022-\$32,798). 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 and 2023 to pre-Covid 19 levels.

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>2023</u>	<u>2022</u>
Federal Government		\$44,658
Ontario Government		40,000
City of Toronto	\$376	9,760
United Way	-	-
Other Agencies	-	-
Total	<u>376</u>	<u>94,418</u>

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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 2023 is \$177,955 (2022-\$184,491)

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.

