Financial Statements of

JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Year ended December 31, 2010



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000 Fax (416) 228-7123 Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of John Howard Society of Ontario Provincial Office

We have audited the accompanying financial statements of John Howard Society of Ontario Provincial Office, which comprise the balance sheet as at December 31, 2010, the statements of operations - general fund, changes in general fund balances, changes in externally restricted fund balances and cash flows for the year then ended, and notes, comprising 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 generally accepted accounting principles, 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.

Auditors' 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 our 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, we consider 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 entity'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 for our qualified audit opinion.



Page 2

Basis for Qualified Opinion

In common with many charitable organizations, John Howard Society of Ontario Provincial Office derives revenue from fundraising, promotion and legacies and bequests, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of John Howard Society of Ontario Provincial Office and we were not able to determine whether, as at and for the years ended December 31, 2010 and 2009, any adjustments might be necessary to fundraising, promotion and legacies and bequests, excess (deficiency) of revenue over expenses in the statement of operations - general fund and current assets and net assets in the balance sheet.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements represent fairly, in all material respects, the financial position of John Howard Society of Ontario Provincial Office as at December 31, 2010, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

May 18, 2011 Toronto, Canada

KPMG LLP

PROVINCIAL OFFICE (Incorporated under the laws of Ontario)

Balance Sheet

December 31, 2010, with comparative figures for 2009

		2010		2009
Assets				
Current assets:				
Cash	\$	353,003	\$	13,119
Short-term investments (note 5)		751,163		931,299
Accounts and grants receivable		143,499		119,529
Due from affiliates (note 3)		65,716		76,542 2,000
Prepaid expenses		2,000		100,000
Deposit - property purchase (note 6)		1,315,381		1,242,489
Capital assets (note 4)		4,302		4,383
Due from affiliates (note 3)		51,500		_
Investments (note 5)		313,356		439,208
	\$	1,684,539	\$	1,686,080
Liabilities and Fund Balances				
Current liabilities:	_	00.040	•	01711
Bank overdraft (note 7)	\$	88,948	\$	94,714
Branch benefit deposits held Accounts payable and accrued charges		127,383 64,297		127,383 17,177
Accounts payable and accided charges	 ·	280,628		239,274
Deferred income		_		21,202
Fund balances:				
General		1,329,476		1,351,395
Externally restricted		74,435		74,209
		1,403,911		1,425,604
Lease commitments (note 12)				
	\$	1,684,539	\$	1,686,080

See accompanying notes to financial statements.

On behalf of the Board:

Director

rangulv Director

PROVINCIAL OFFICE

Statement of Operations - General Fund

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Ministry of Solicitor General grant	\$ 122,234	\$ 122,234
HRDC grant	Ψ 122,20 ·	3,703
Regional Municipality of York	37,394	13,048
	159,628	138,985
Fundraising	176,547	197,919
Affiliate contributions	428,050	426,542
Investment	34,023	31,867
Cost recovery (note 9)	52,305	45,861
Miscellaneous (note 8)	147,355	125,502
	997,908	966,676
Expenses:		
Salaries and benefits	543,429	468,817
Transportation services	15,000	39,228
Institutional services	53,495	53,001
Fundraising	72,094	81,476
Building occupancy	56,732	58,771
Office and postage	60,614	44,206
Travel and meetings (note 9)	146,208	129,605
Professional fees	55,445	61,302
Branch allocation of Break-Open Fund	8,963	8,836
Subscriptions and publications	362	815
Skills development	1,601	1,647
York Region start-up costs	15,342	6,102
	1,029,285	953,806
Excess (deficiency) of revenue over expenses		
before the undernoted	(31,377)	12,870
Unrealized gain on investments	12,263	55,273
Amortization of capital assets	(2,805)	(4,646)
Excess (deficiency) of revenue over expenses	\$ (21,919)	\$ 63,497

JOHN HOWARD SOCIETY OF ONTARIO PROVINCIAL OFFICE

Statement of Changes in General Fund Balances

Year ended December 31, 2010, with comparative figures for 2009

											2010		2009
	Gene	General Draper Reserve	Rese	rve		Internal	Internally restricted funds	d fun	sp				
			Invested	ted					Trillium				
			in capital	ital	3enefa	action	L.W. Ske	ζ.	Benefaction L.W. Skey Stabilization				
· · · · · · · · · · · · · · · · · · ·	Ope	Operations	ass	assets		Fund	Fund		Fund		Total		Total
Fund balances, beginning of year	(7)	(74,462)	€)	383)06 \$	0,048	\$ 21,426	()	\$ (74,462) \$ 4,383 \$ 900,048 \$ 21,426 \$ 500,000 \$ 1,351,395 \$ 1,283,898	(/)	1,351,395	↔	1,283,898
Excess (deficiency) of revenue over expenses		(19,757)	(2,8	(2.805)		I	643	m	i		(21,919)		63,497
Durchase of ranital assate		(7 724)	, ,	2724		ŀ	•	!	1		`		
i dictiase of capital assets Inferfund transfer		(5),(5)	1	- 1		l I		[I		4.000
Fund balances, end of year	ι	(96,943)	\$ 4,	302	\$ 90(0,048	\$ 22,069	8	\$ (96,943) \$ 4,302 \$ 900,048 \$ 22,069 \$ 500,000 \$ 1,329,476 \$ 1,351,395	မာ	1,329,476	8	1,351,395

PROVINCIAL OFFICE

Statement of Changes in Externally Restricted Fund Balances

Year ended December 31, 2010, with comparative figures for 2009

			2010	2009
	A.M. Kirkpatrick Award Fund	JHS Ontario/ MacFarlane Scholarship Fund	Total	Total
Fund balances, beginning of year	\$ 53,756	\$ 20,453	\$ 74,209	\$ 75,931
Interest income	1,613	613	2,226	2,278
Interfund transfer	-	-	_	(4,000)
Scholarships	_	(2,000)	(2,000)	_
Fund balances, end of year	\$ 55,369	\$ 19,066	\$ 74,435	\$ 74,209

PROVINCIAL OFFICE

Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses -		
general fund	\$ (21,919)	\$ 63,497
Other funds:	,	
Interest	2,226	2,278
Scholarships	(2,000)	· _
	(21,693)	65,775
Items not involving cash:	` ' '	·
Unrealized gain on investments	(12,263)	(55,273)
Amortization of capital assets	2,805	4,646
Change in non-cash operating working capital	1,948	(31,312)
	(29,203)	(16,164)
Financing activities:		
Bank overdraft	(5,766)	(61,576)
Investing activities:		
Purchase of capital assets	(2,724)	(2,734)
Deposit - property purchase	100,000	(100,000)
Due from affiliates	(40,674)	68,950
Sale of investments	318,251	94,068
	374,853	60,284
Increase (decrease) in cash	339,884	(17,456)
Cash, beginning of year	13,119	30,575
Cash, end of year	\$ 353,003	\$ 13,119

PROVINCIAL OFFICE

Notes to Financial Statements

Year ended December 31, 2010

1. Purpose of the Society:

The John Howard Society of Ontario (the "Society") and its 19 affiliates and one branch provide direct services to individuals, families and groups at all stages in the youth and criminal justice system from prevention education in public schools to post-institutional counselling for persons released from prison.

The Society is also involved in reform of the justice system through justice policy analysis and submission of briefs to various levels of government. As well, the Society provides community education conferences and presentations on critical issues in the justice system.

The Society, through its Centre of Research and Program Development, engages in research and program development initiatives to reflect and further the Society's mission.

The mandate of the Society is effective, just and humane responses to crime and its causes.

The Society is a registered charity and, while registered, is exempt from income taxes, provided certain disbursement quotas are met.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These financial statements include only the assets, liabilities, revenue and expenses relating to the organization which operates as John Howard Society of Ontario. They do not include the revenue, expenses, assets or liabilities of the individual branches/affiliates of the Society.

At December 31, 2010, the Society has 19 incorporated affiliates: Belleville, Durham, Hamilton-Burlington and area, Kawartha Lakes-Haliburton, Kingston, London, Niagara, Ottawa, Peel-Halton-Dufferin, Peterborough, Sarnia-Lambton, Sault Ste. Marie, Simcoe/Muskoka, Sudbury, Thunder Bay, Toronto, Waterloo-Wellington, Windsor-Essex and York Region. Separate financial statements are prepared for each of the branches/affiliates.

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Year ended December 31, 2010

2. Significant accounting policies (continued):

(b) Description of funds:

The financial statements have been classified into two main funds, the general fund and externally restricted funds, which reflect the various activities, projects and fundraising initiatives undertaken by the Society.

The general fund includes the General Draper Reserve (which encompasses operations, the Break-Open Fund, the Bingo Fund and invested in capital assets), the L.W. Skey Fund, the Trillium Stabilization Fund and the Benefaction Fund.

The L.W. Skey Fund reflects the funds raised to offset specific future accommodation costs, as approved by the Board of Directors.

The Trillium Stabilization Fund is designated for capital expenditures by the Society. The interest earned is used to finance ongoing operations.

The externally restricted funds include the A.M. Kirkpatrick Award Fund and the JHS Ontario/MacFarlane Scholarship Fund.

The A.M. Kirkpatrick Award Fund was established to honour the work of A.M. Kirkpatrick and to provide recognition and incentive to men and women prisoners who take advantage of educational opportunities.

The JHS Ontario/MacFarlane Scholarship Fund was established in 1986 through an appropriation from general fund operations. Earnings generated from the fund are used to provide the first year's tuition for a student undertaking any Master of Social Work program.

(c) Capital assets:

Capital assets are carried at their net book value and are amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and	l equipment
Computer ha	rdware

5 years 3 years

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Year ended December 31, 2010

2. Significant accounting policies (continued):

(d) Short-term investments:

Short-term investments are recorded at market value.

(e) Investments:

Investments are classified as held-for-trading and are carried at market value.

(f) Revenue recognition:

The Society follows the restricted fund method of reporting contributions.

Restricted contributions related to general operations are recognized as revenue of the general fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions and bequests are recognized in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned on other fund balances is recognized as revenue of the other funds. Other investment income is recognized as revenue of the general fund when earned.

Pledges are recognized as revenue of the general fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(g) Use of estimates:

The preparation of financial statements 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 date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Year ended December 31, 2010

3. Due from affiliates:

Included in the long-term balance of due from affiliates are advances made to JHS Simcoe/Muskoka and JHS of York Region.

The advance of \$48,000 to JHS Simcoe/Muskoka is repayable in monthly instalments of \$500 and is interest-free. At December 31, 2010, \$41,500 is included in the long-term due from affiliates balance and \$6,000 is included in the current balance.

The advance of \$10,000 to JHS of York Region is due prior to or on March 31, 2015 and is interest-free. This balance is included in the long-term due from affiliates balance.

4. Capital assets:

	 	•			2010		2009
	 Cost		umulated ortization	N	et book value	N	et book value
Furniture and equipment Computer hardware	\$ 27,239 108,557	\$	27,239 104,255	\$	_ 4,302	\$	109 4,274
	\$ 135,796	\$	131,494	\$	4,302	\$	4,383

5. Investments:

The Society has investments in bonds and other government-secured certificates with varying dates of maturity, ranging from March 15, 2011 to January 1, 2019, including index-linked notes, as well as investments in equity instruments. These investments yield interest at rates ranging from 1.65% to 4.05% (2009 - 1.65% to 4.25%) per annum. The investments comprise the following:

	2010	2009
Short-term: Fixed income Mutual funds and segregated funds	\$ 143,148 608,015	\$ 327,316 603,983
	\$ 751,163	\$ 931,299

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Year ended December 31, 2010

5. Investments (continued):

	2010	2009
Long-term:		
Fixed income	\$ 13,000	\$ 160,119
Equities	202,484	186,429
Mutual funds and segregated funds	97,872	92,660
	\$ 313,356	\$ 439,208

The Society holds securities which are subject to market risk, interest rate risk and cash flow risk. These risks will also impact future cash flow streams, including dividends, gains and losses and interest income.

The value of equities, included in marketable securities, changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within specific governments and corporations which issue the securities.

The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. Changes in interest rates may also affect the value of equity securities.

The Society does not enter into any derivative instrument arrangements for hedging or speculative purposes.

6. Deposit - property purchase:

The Society, in partnership with the John Howard Society of Toronto, entered into a conditional Agreement of Purchase and Sale in 2009 to purchase property in the City of Toronto. A deposit of \$100,000 from the Society's investments was paid into Colliers Mccaulay Nicolls (Ontario) Inc., in trust. In 2010, the Agreement of Purchase and Sale was terminated and deposit was returned and deposited to the JHSO general account.

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Year ended December 31, 2010

7. Line of credit:

The Society has a line of credit with a chartered bank for \$250,000, of which \$78,341 has been drawn at December 31, 2010 (2009 - \$85,580).

8. Miscellaneous income:

	 2010	 2009
Other Pension plan administration cost recovery	\$ 43,461 103,894	\$ 29,602 95,900
	\$ 147,355	\$ 125,502

Travel and meetings expenses:

Included in travel and meetings expenses are \$52,305 (2009 - \$45,861) worth of costs for accommodation, travel and food which have been recovered from the affiliates and pension committee.

10. Pension plan:

The Society has one pension plan with defined benefit plan and defined contribution components. The majority of the employees are in the defined contribution component, which is funded directly by the affiliate and branch offices for their qualifying employees. The employees are not required to contribute to the pension plan. The defined benefit component is funded by the affiliate and branch offices for their qualifying employees through the Society. The Society follows defined contribution accounting for its portion of both components. The employer portion of pension contribution for the year was \$29,146 (2009 - \$24,776).

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Year ended December 31, 2010

11. Break-open ticket lotteries:

The Society was licensed by the Alcohol and Gaming Commission of the Province of Ontario (P061076, P061077, P070487 and P070488) to engage in break-open ticket lotteries during the year. The following is a summary of the financial details related to the lotteries:

		BN 1	В	N 14		Total
Number of boxes undistributed						
as at January 1, 2010		23		_		23
Number of boxes ordered		111		1		112
Number of boxes available for sale		134	- -	1		135
Number of boxes distributed		110		_		110
Number of expired		9		_		9
Number of undistributed boxes at year end		15		1		16
Number of boxes available for sale in the year		134		1		135
Disbursed proceeds to the charity	\$	58,173	\$	_	\$	58,173
Expenses other than license fees		30,860	•	154	•	31,014
License fees		12,547		479		13.026
Cash as at December 31, 2010		20,528				20,528
Gross proceeds	1	93,200		-		193,200

12. Lease commitments:

The Society leases its current premises under an operating lease, which expires November 30, 2013. The Society also leases office equipment with an expiry date in fiscal 2011. The annual payments are approximately as follows:

2011 2012 2013		100 600 900
	\$ 63,	600