



JOHN HOWARD SOCIETY OF ONTARIO

FINANCIAL STATEMENTS

DECEMBER 31, 2015

JOHN HOWARD SOCIETY OF ONTARIO

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INDEPENDENT AUDITORS' REPORT

To the Members of John Howard Society of Ontario

We have audited the accompanying financial statements of John Howard Society of Ontario, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, changes in net assets, 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 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion of 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 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 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, John Howard Society of Ontario derives revenue from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of John Howard Society of Ontario.

Therefore, we were not able to determine whether, as at and for the year ended December 31, 2015, any adjustments might be necessary to fundraising revenue, excess (deficiency) of revenue over expenses reported in the statements of operations, cash flows from operations, and current assets and net assets reported in the statement of financial position.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of John Howard Society of Ontario as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

April 9, 2016

Sloan Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

**JOHN HOWARD SOCIETY OF ONTARIO
STATEMENT OF FINANCIAL POSITION**

As at December 31	2015	2014
ASSETS		
Current		
Cash	\$ 126,110	\$ 160,730
Short-term investments (note 4)	284,956	386,125
Accounts receivable	305,870	241,924
HST receivable	97,063	56,399
Prepaid expenses and other current assets	21,522	103,650
Due from affiliates (note 2)	358,000	374,000
	1,193,521	1,322,828
Due from affiliates (note 2)	5,500	12,000
Capital assets (note 3)	1,927,598	1,074,367
	\$ 3,126,619	\$ 2,409,195
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 6)	\$ 203,859	\$ 66,552
Current portion of long-term debt (note 7)	17,516	16,747
Deferred revenue	-	11,795
Affiliate benefit deposits held	233,493	137,007
	454,868	232,101
Due to affiliates (note 2)	400,000	-
Long-term debt (note 7)	456,721	474,237
Deferred capital contributions (note 8)	182,500	150,000
Deferred contributions (note 9)	17,486	17,486
	1,511,575	873,824
NET ASSETS		
Unrestricted	589,049	916,350
Invested in capital assets (note 10)	975,995	569,021
Internally restricted (note 11)	50,000	50,000
	1,615,044	1,535,371
	\$ 3,126,619	\$ 2,409,195

Approved by:

Director: _____

Director: _____

**JOHN HOWARD SOCIETY OF ONTARIO
STATEMENT OF OPERATIONS**

Year ended December 31	2015	2014
REVENUE		
Affiliate contributions	\$ 454,693	\$ 460,545
Miscellaneous (note 12)	424,790	401,805
Special event	128,884	-
John Howard Society of Canada - National Grant	121,950	121,849
Fundraising	120,641	104,557
Conference registration fees	93,090	-
Cost recovery (note 13)	20,601	29,009
Investment	12,196	25,631
	1,376,845	1,143,396
EXPENSES		
Salaries and benefits	675,346	634,735
Fundraising	159,078	59,942
JHSO conference	95,837	37
Building occupancy	81,609	69,451
Travel and meeting (note 13)	79,883	108,786
Office and postage	56,070	66,562
Affiliate direct services	44,634	47,924
Purchased services	35,306	41,475
Interest on long-term debt	27,085	22,482
Professional fees	20,788	21,291
Skills development	17,255	5,973
Insurance	4,914	5,280
	1,297,805	1,083,938
REVENUE OVER EXPENSES BEFORE THE UNDERNOTED	79,040	59,458
Unrealized gain on investment	633	9,313
Amortization of capital assets (note 3)	-	(639)
EXCESS OF REVENUE OVER EXPENSES	\$ 79,673	\$ 68,132

**JOHN HOWARD SOCIETY OF ONTARIO
STATEMENT OF CHANGES IN NET ASSETS**

Year ended December 31, 2015

	Internally restricted						Total
	Unrestricted	Invested in capital assets (note 10)	Benefaction Fund (note 11)	L.W. Skey Fund (note 11)	Stabilization Fund (note 11)	Capital Reserve (note 11)	
Net assets, beginning of the year	\$ 916,350	\$ 569,021	\$ -	\$ -	\$ -	\$ 25,000	\$ 1,535,371
Excess of revenue over expenses (expenses over revenue)	79,673	-	-	-	-	-	79,673
Internally financed investment in capital assets	(390,227)	390,227	-	-	-	-	-
Payment of debt related to investment in capital assets	(16,747)	16,747	-	-	-	-	-
Net assets, end of the year	\$ 589,049	\$ 975,995	\$ -	\$ -	\$ -	\$ 25,000	\$ 1,615,044

Year ended December 31, 2014

	Internally restricted						Total
	Unrestricted	Invested in capital assets (note 10)	Benefaction Fund (note 11)	L.W. Skey Fund (note 11)	Stabilization Fund (note 11)	Capital Reserve (note 11)	
Net assets, beginning of the year	\$ (274,560)	\$ 318,679	\$ 900,048	\$ 23,072	\$ 500,000	\$ -	\$ 1,467,239
Excess of revenue over expenses (expenses over revenue)	68,771	(639)	-	-	-	-	68,132
Internally financed investment in capital assets	(234,965)	234,965	-	-	-	-	-
Payment of debt related to investment in capital assets	(16,016)	16,016	-	-	-	-	-
Close Benefaction Fund and L.W. Skey Fund	923,120	-	(900,048)	(23,072)	-	-	-
Transfer Trillium Stabilization Fund to Unrestricted	500,000	-	-	-	(500,000)	-	-
Transfer funds to Capital and Operating Reserve	(50,000)	-	-	-	-	25,000	-
Net assets, end of the year	\$ 916,350	\$ 569,021	\$ -	\$ -	\$ -	\$ 25,000	\$ 1,535,371

See accompanying notes to the financial statements

**JOHN HOWARD SOCIETY OF ONTARIO
STATEMENT OF CASH FLOWS**

Year ending December 31	2015	2014
CASH PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 79,673	\$ 68,132
Items not affecting cash:		
Amortization of capital assets (note 3)	-	639
Unrealized gain on investments	(633)	(9,313)
Changes in deferred contributions (note 9)	-	(57,886)
Changes in non-cash working capital:		
Accounts receivable	(63,946)	99,784
HST receivable	(40,664)	(22,356)
Prepaid expenses and other current assets	82,128	(99,650)
Accounts payable and accrued liabilities	137,307	23,502
Deferred revenue	(11,795)	4,595
Affiliate benefit deposits held	96,486	9,624
	<u>278,556</u>	<u>17,071</u>
INVESTING		
Net change in short-term investments	101,802	220,554
Due from affiliates	422,500	66,000
Purchase of capital assets (note 3)	(853,231)	(249,327)
	<u>(328,929)</u>	<u>37,227</u>
FINANCING		
Bank overdraft	-	(27,552)
Repayment of long-term debt	(16,747)	(16,016)
Contributions received for capital purposes (note 8)	32,500	150,000
	<u>15,753</u>	<u>106,432</u>
NET (DECREASE) INCREASE IN CASH	(34,620)	160,730
CASH, beginning of the year	<u>160,730</u>	<u>-</u>
CASH, end of the year	<u><u>\$ 126,110</u></u>	<u><u>\$ 160,730</u></u>

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

PURPOSE AND NATURE OF THE ORGANIZATION

The John Howard Society of Ontario (the "Society") and its 19 affiliates 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, Policy 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 therefore exempt from income taxes under the Income Tax Act (Canada), provided certain disbursement quotas are met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below. These financial statements include only the assets, liabilities, revenue, and expenses relating to the organization which operated as John Howard Society of Ontario Provincial Office. They do not include the revenue, expenses, assets, or liabilities of the individual branches/affiliates of the Society.

At December 31, 2015, the Society had 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 affiliates.

JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets acquired and constructed by the Society are recorded at cost. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	<u>Rate</u>	<u>Method</u>
Building	20 years	Straight-line
Computer hardware	3 years	Straight-line
Furniture and equipment	5 years	Straight-line

Revenue Recognition

The Society follows the deferral method of accounting for contributions, which includes donations and government grants. 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. Contributions externally restricted are recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for amortizable capital assets are deferred and amortized over the lives of the related capital assets.

Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has elected to carry its bonds, mutual funds, and fixed income securities at fair value.

JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement not exceeding the initial carrying value.

Contributed services and materials

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services and materials are not recognized in the financial statements.

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 the 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.

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

2. DUE FROM (TO) AFFILIATES

Included in the balance of due from affiliates are advances made to JHS Simcoe/Muskoka, JHS Belleville, and JHS Toronto, as well as an amount owing to JHS Ottawa.

The original advance of \$48,000 to JHS Simcoe/Muskoka is repayable in monthly instalments of \$500. At December 31, 2015, the remaining balance owed is \$13,687. \$5,500 is included in the long-term portion of the due from affiliates balance and \$8,187 is included in the current balance.

The advance of \$8,000 to JHS Belleville does not have fixed repayment terms. This balance is included in the current portion of the due from affiliates balance.

The advance of \$350,000 to JHS Toronto has an initial term of five years at 3% interest per annum and is renewable for a further term of five years at an interest rate to be agreed upon. The advance is due on demand and therefore this balance is included in the current portion of the due from affiliates balance.

The advances to JHS Simcoe/Muskoka, and JHS Belleville are unsecured and non-interest bearing. The advances to JHS Toronto are secured by a mortgage on 1669 Eglinton Avenue West.

The advance of \$400,000 from JHS Ottawa has an initial term of 5 years at 4% interest per annum. Repayment has not begun on this balance as at December 31, 2015.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	2015 Net Book Value	2014 Net Book Value
Land	\$ 578,000	\$ -	\$ 578,000	\$ 578,000
Building	1,349,598	-	1,349,598	496,367
	<u>\$ 1,927,598</u>	<u>\$ -</u>	<u>\$ 1,927,598</u>	<u>\$ 1,074,367</u>

The Society purchased a building and land on December 11, 2013 at a purchase price of \$780,000. As the building is not ready for occupancy, no amortization has been taken.

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

3. CAPITAL ASSETS (CONTINUED)

The change in net book value of capital assets is due to the following:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 1,074,367	\$ 825,679
Purchase of capital assets financed by debt	400,000	-
Purchase of capital assets internally financed (note 10)	390,227	234,965
Purchase of capital assets funded by deferred capital contributions (note 8)	63,004	14,362
Less amortization of capital assets (note 10)	-	(639)
	<u> </u>	<u> </u>
Balance, end of year	<u>\$ 1,927,598</u>	<u>\$ 1,074,367</u>

4. SHORT-TERM INVESTMENTS

The Society invests in high interest savings accounts, equity instruments, and mutual funds. Short-term investments are comprised of the following:

	<u>2015</u>	<u>2014</u>
Fixed income and high interest savings	\$ -	\$ 218,884
Equities	284,925	116,001
Mutual funds and segregated funds	31	51,240
	<u> </u>	<u> </u>
	<u>\$ 284,956</u>	<u>\$ 386,125</u>

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

The value of equities 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.

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

5. BANK OVERDRAFT

The Society has a line of credit with the Royal Bank of Canada, due on demand, with a limit of \$250,000 bearing interest at bank prime plus 1.25% per annum and is secured by a general security agreement. As at December 31, 2015, the Society has drawn \$0 (2014 - \$0) of the total line of credit available.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31, 2015, there are no government remittances payable outstanding (2014 - \$nil).

7. LONG-TERM DEBT

	2015	2014
Royal Bank of Canada term loan, payable in monthly blended principal and interest payments of \$3,208 bearing interest at 4.5% per annum. Loan matures December 11, 2018 and is secured by a general security agreement and a mortgage on 342 Queen Street East. The credit facility agreement also requires the Society to comply with certain financial covenants.	\$ 474,237	\$ 490,984
Less: Current portion	17,516	16,747
Long-term portion	\$ 456,721	\$ 474,237

Future minimum annual principal payments are as follows:

2016	\$ 17,516
2017	18,321
2018	438,400
	\$ 474,237

JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represents the unamortized and unspent amounts of grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations over the useful lives of the capital assets. The changes in the deferred capital contributions balance for the year are as follows:

	2015	2014
Balance, beginning of year	\$ 150,000	\$ -
Grants received restricted to capital assets	32,500	150,000
Balance, end of year	\$ 182,500	\$ 150,000

The balance of deferred capital contributions consists of the following:

	2015	2014
Unspent deferred capital contributions	\$ 105,134	\$ 135,638
Unamortized deferred capital contributions used to purchase capital assets (note 10)	77,366	14,362
	\$ 182,500	\$ 150,000

JOHN HOWARD SOCIETY OF ONTARIO
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

9. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants and donations. The changes in the deferred contributions balance for the year are as follows:

	2015	2014
Balance, beginning of year	\$ 17,486	\$ 75,072
Interest income	-	300
Amount recognized as revenue (A.M. Kirkpatrick Award) - note 12	-	(57,886)
	\$ 17,486	\$ 17,486

The balance of deferred contributions consists of the following:

	2015	2014
MacFarlane Scholarship	\$ 17,486	\$ 17,486

Earnings generated from the MacFarlane Scholarship funds are used to provide the first year's tuition for a student undertaking any Master of Social Work program.

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

10. INVESTED IN CAPITAL ASSETS

Investment in capital assets, which represents the unamortized value of capital assets funded using internal unrestricted resources, net of outstanding debt, is calculated as follows:

	2015	2014
Capital assets, net (note 3)	\$ 1,927,598	\$ 1,074,367
Less due to affiliates (note 2)	(400,000)	-
Less long-term debt (note 7)	(474,237)	(490,984)
Less unamortized deferred capital contributions used to purchase capital assets (note 8)	(77,366)	(14,362)
	\$ 975,995	\$ 569,021

The net change in net assets invested in capital assets is calculated as follows:

	2015	2014
Purchase of capital assets internally financed (note 3)	\$ 390,227	\$ 234,965
Repayment of long-term debt principal	16,747	16,016
Proceeds of long-term debt	(400,000)	-
Purchase of capital assets financed by debt	400,000	-
	406,974	250,981
Less amortization of capital assets (note 3)	-	(639)
	\$ 406,974	\$ 250,342

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

11. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets are funds set aside that reflect the application of the Board of Directors policy as follows:

	2015	2014
Capital Reserve	\$ 25,000	\$ 25,000
Operating Reserve	25,000	25,000
	\$ 50,000	\$ 50,000

The capital reserve represents funds internally restricted to be used for the purpose of paying for the major repairs and replacements of the building.

The operating reserve represents funds internally restricted to be maintained as a fiscally prudent operating reserve to provide funds for continuity of operations and operational contingencies.

Expenditures from these internally restricted net assets require Board approval.

12. MISCELLANEOUS

	2015	2014
Pension plan administration cost recovery	\$ 168,204	\$ 156,901
Research	174,993	171,440
A.M. Kirkpatrick Award (note 9)	-	57,886
Other	81,593	15,578
	\$ 424,790	\$ 401,805

13. TRAVEL AND MEETINGS EXPENSES

Included in travel and meetings expenses are \$20,601 (2014 - \$29,009) worth of costs for accommodation, travel, and food which have been recovered from the affiliates and pension committee.

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

14. PENSION PLAN

The Society has one pension plan with defined benefit plan and defined contribution plan components. The majority of the employees are in the defined contribution plan, which is funded directly by the affiliate offices for their qualifying employees. The employees are required to contribute to the defined contribution component of the pension plan. The defined benefit plan 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 plan components. The employer portion of pension contribution for the year was \$31,827 (2014 - \$35,483).

15. BREAK-OPEN TICKET LOTTERIES

The Society was licensed by the Alcohol and Gaming Commission of the Province of Ontario, license number 4029, 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	BN 14	BN 26	Total
Number of boxes undistributed as at January 1, 2015	10	4	0	14
Number of boxes ordered	44	19	1	64
Number of boxes available for sale	54	23	1	78
Number of boxes distributed	43	20	1	64
Number of undistributed boxes at year end	11	3	0	14
Number of boxes available for sale in the year	54	23	1	78
Disbursed proceeds to the charity	\$ 57,946	\$ -	\$ -	\$ 57,946
Expenses other than license fees	12,512	25,647	3,678	41,837
License fees	5,311	9,577	1,092	15,980
Cash as at December 31, 2015	11,571	-	-	11,571
Gross proceeds	72,240	148,400	16,800	237,440

JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

16. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments approximate their carrying values unless otherwise noted.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.