



JOHN HOWARD SOCIETY OF ONTARIO

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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, 2016, 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, 2016, 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, 2016, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

April 8, 2017

Sloan Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

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

As at December 31	2016	2015
ASSETS		
Current		
Cash	\$ 199,468	\$ 126,110
Short-term investments (note 4)	178,333	284,956
Accounts receivable	148,769	305,870
HST receivable	71,331	97,063
Prepaid expenses and other current assets	20,436	21,522
Due from affiliates (note 2)	358,000	358,000
	976,337	1,193,521
Due from affiliates (note 2)	-	5,500
Capital assets (note 3)	2,398,114	1,927,598
	\$ 3,374,451	\$ 3,126,619
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 6)	\$ 93,201	\$ 203,859
Current portion of long-term debt (note 7)	32,646	17,516
Deferred revenue	2,800	-
Affiliate benefit deposits held	233,493	233,493
	362,140	454,868
Due to affiliates (note 2)	400,000	400,000
Long-term debt (note 7)	830,901	456,721
Deferred capital contributions (note 8)	173,375	182,500
Deferred contributions (note 9)	17,486	17,486
	1,783,902	1,511,575
NET ASSETS		
Unrestricted	554,357	589,049
Invested in capital assets (note 10)	961,192	975,995
Internally restricted (note 11)	75,000	50,000
	1,590,549	1,615,044
	\$ 3,374,451	\$ 3,126,619

Approved by:

Director:  _____

Director:  _____

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

Year ended December 31	2016	2015
REVENUE		
Affiliate contributions	\$ 484,289	\$ 454,693
Miscellaneous (note 12)	408,693	424,790
John Howard Society of Canada - National Grant	121,949	121,950
Fundraising	98,331	120,641
Cost recovery (note 13)	16,871	20,601
Investment	14,970	12,196
Amortization of deferred capital contribution	9,125	-
Special event	-	128,884
Conference registration fees	-	93,090
	<u>1,154,228</u>	<u>1,376,845</u>
EXPENSES		
Salaries and benefits	718,909	675,346
Travel and meeting (note 13)	79,918	79,883
Office and postage	62,845	56,070
Fundraising	51,208	159,078
Interest on long-term debt	49,916	27,085
Affiliate direct services	47,307	44,634
Building occupancy	35,101	81,609
Professional fees	25,582	20,788
Purchased services	19,912	35,306
Insurance	5,398	4,914
Skills development	1,859	17,255
JHSO conference	431	95,837
	<u>1,098,386</u>	<u>1,297,805</u>
REVENUE OVER EXPENSES BEFORE THE UNDERNOTED	55,842	79,040
Unrealized gain on investment	18,958	633
Amortization of capital assets (note 3)	<u>(99,295)</u>	<u>-</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	\$ (24,495)	\$ 79,673

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

Year ended December 31, 2016

	<u>Internally restricted</u>				Total
	Unrestricted	Invested in capital assets (note 10)	Capital Reserve (note 11)	Operating Reserve (note 11)	
Net assets, beginning of the year	\$ 589,049	\$ 975,995	\$ 25,000	\$ 25,000	\$ 1,615,044
Excess of revenue over expenses (expenses over revenue)	65,675	(90,170)	-	-	(24,495)
Internally financed					
investment in capital assets	(49,678)	49,678	-	-	-
Payment of debt related to investment in capital assets	(25,689)	25,689	-	-	-
Transfer funds to Capital Reserve	(25,000)	-	25,000	-	-
Net assets, end of the year	<u>\$ 554,357</u>	<u>\$ 961,192</u>	<u>\$ 50,000</u>	<u>\$ 25,000</u>	<u>\$ 1,590,549</u>

Year ended December 31, 2015

	<u>Internally restricted</u>				Total
	Unrestricted	Invested in capital assets (note 10)	Capital Reserve (note 11)	Operating Reserve (note 11)	
Net assets, beginning of the year	\$ 916,350	\$ 569,021	\$ 25,000	\$ 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	<u>\$ 589,049</u>	<u>\$ 975,995</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 1,615,044</u>

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

Year ending December 31	2016	2015
CASH PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of (expenses over revenue) revenue over expenses	\$ (24,495)	\$ 79,673
Items not affecting cash:		
Amortization of capital assets (note 3)	99,295	-
Amortization of deferred capital contributions	(9,125)	-
Unrealized gain on investments	(18,958)	(633)
Changes in non-cash working capital:		
Accounts receivable	157,101	(63,946)
HST receivable	25,732	(40,664)
Prepaid expenses and other current assets	1,086	82,128
Accounts payable and accrued liabilities	(110,658)	137,307
Deferred revenue	2,800	(11,795)
Affiliate benefit deposits held	-	96,486
	<u>122,778</u>	<u>278,556</u>
INVESTING		
Net change in short-term investments	125,581	101,802
Due from affiliates	5,500	422,500
Purchase of capital assets (note 3)	(569,811)	(853,231)
	<u>(438,730)</u>	<u>(328,929)</u>
FINANCING		
Proceeds from long-term debt	414,999	-
Repayment of long-term debt	(25,689)	(16,747)
Contributions received for capital purposes (note 8)	-	32,500
	<u>389,310</u>	<u>15,753</u>
NET INCREASE (DECREASE) IN CASH	73,358	(34,620)
CASH, beginning of the year	126,110	160,730
CASH, end of the year	\$ 199,468	\$ 126,110

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

Change in accounting policy

In 2014, the Society changed its accounting policy for revenue recognition to the deferral method. In previous periods, the restricted fund method had been used. The organization believes that the deferral method is preferable as it presents information in a manner that is more easily understood by most users of the financial statements. The deferral method results in less volatility in revenue and resultant surpluses and deficits by closely synchronizing the recognition of revenue and related expenses. This is also the method favoured by other organizations within the Society's sector, thereby making the financial statements more comparable overall.

This change resulted in an increase in deferred contributions as at January 1, 2014 of \$75,072, and a corresponding decrease in net assets. There is no effect on revenues or expenses as a result of this restatement.

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, 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.

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 equipment	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.

JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2016**

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 advance of \$10,000 to JHS of York Region was due prior to or on March 31, 2015. This balance was repaid during fiscal 2015 and is no longer outstanding.

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 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, 2016.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Land	\$ 578,000	\$ -	\$ 578,000	\$ 578,000
Building	1,903,250	95,163	1,808,087	1,349,598
Computer equipment	6,756	2,251	4,505	-
Furniture and equipment	9,403	1,881	7,522	-
	<u>\$ 2,497,409</u>	<u>\$ 99,295</u>	<u>\$ 2,398,114</u>	<u>\$ 1,927,598</u>

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

3. CAPITAL ASSETS (CONTINUED)

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

	2016	2015
Balance, beginning of year	\$ 1,927,598	\$ 1,074,367
Purchase of capital assets financed by debt	414,999	400,000
Purchase of capital assets internally financed (note 10)	49,678	390,227
Purchase of capital assets funded by deferred capital contributions (note 8)	105,134	63,004
Less amortization of capital assets (note 10)	(99,295)	-
	\$ 2,398,114	\$ 1,927,598

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:

	2016	2015
Equities	\$ 178,333	\$ 284,925
Mutual funds and segregated funds	-	31
	\$ 178,333	\$ 284,956

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, 2016**

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, 2016, the Society has drawn \$nil (2015 - \$nil) of the total line of credit available.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31, 2016, there are no government remittances payable outstanding (2015 - \$nil).

7. LONG-TERM DEBT

	2016	2015
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.	\$ 456,844	\$ 474,237
Royal Bank of Canada term loan, payable in monthly blended principal and interest payments of \$2,451 bearing interest at 3.71% per annum. Loan matures June 2, 2019 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.	406,703	
Total long-term debt	863,547	474,237
Less: Current portion	32,646	17,516
Long-term portion	\$ 830,901	\$ 456,721

Future minimum annual principal payments are as follows:

2017	\$ 32,646
2018	453,378
2019	377,523
	\$ 863,547

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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:

	2016	2015
Balance, beginning of year	\$ 182,500	\$ 150,000
Grants received restricted to capital assets	-	32,500
Amortization of deferred capital contributions	(9,125)	-
	\$ 173,375	\$ 182,500
Balance, end of year	\$ 173,375	\$ 182,500

The balance of deferred capital contributions consists of the following:

	2016	2015
Unspent deferred capital contributions	\$ -	\$ 105,134
Unamortized deferred capital contributions used to purchase capital assets (note 10)	173,375	77,366
	\$ 173,375	\$ 182,500
	\$ 173,375	\$ 182,500

9. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants and donations. There were no changes in the deferred contributions balance for the year.

The balance of deferred contributions consists of the following:

	2016	2015
MacFarlane Scholarship	\$ 17,486	\$ 17,486
	\$ 17,486	\$ 17,486
	\$ 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, 2016**

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:

	2016	2015
Capital assets, net (note 3)	\$ 2,398,114	\$ 1,927,598
Less due to affiliates (note 2)	(400,000)	(400,000)
Less long-term debt (note 7)	(863,547)	(474,237)
Less unamortized deferred capital contributions used to purchase capital assets (note 8)	(173,375)	(77,366)
	\$ 961,192	\$ 975,995

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

	2016	2015
Purchase of capital assets internally financed (note 3)	\$ 49,678	\$ 390,227
Repayment of long-term debt principal	25,689	16,747
Proceeds of long-term debt	(414,999)	(400,000)
Purchase of capital assets financed by debt	414,999	400,000
	75,367	406,974
Less amortization of capital assets (note 3)	(99,295)	-
Amortization of deferred capital contributions	9,125	-
	\$ (14,803)	\$ 406,974

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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:

	<u>2016</u>	<u>2015</u>
Capital Reserve	\$ 50,000	\$ 25,000
Operating Reserve	25,000	25,000
Benefaction Fund	-	-
L.W. Skey Fund	-	-
Trillium Stabilization Fund	-	-
	<u>\$ 75,000</u>	<u>\$ 50,000</u>

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.

The Board of Directors has determined that the Benefaction Fund and L.W. Skey Fund have fulfilled their purpose and are no longer necessary. The funds have been transferred to unrestricted net assets.

The Trillium Stabilization Fund was designated for major capital expenditures. A building was purchased with the funds and it has fulfilled its purpose.

Expenditures from these internally restricted net assets require Board approval.

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
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12. MISCELLANEOUS

	<u>2016</u>	<u>2015</u>
Pension plan administration cost recovery	\$ 176,776	\$ 168,204
Research	213,744	174,993
Other	18,173	81,593
	<u>\$ 408,693</u>	<u>\$ 424,790</u>

13. TRAVEL AND MEETINGS EXPENSES

Included in travel and meetings expenses are \$16,871 (2015 - \$20,601) worth of costs for accommodation, travel, and food which have been recovered from the affiliates and pension committee.

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 \$36,099 (2015 - \$31,827).

**JOHN HOWARD SOCIETY OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
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15. BREAK-OPEN TICKET LOTTERIES

The Society was licensed by the Alcohol and Gaming Commission of the Province of Ontario, license numbers 4029 and 8153 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, 2016	11	3	0	14
Number of boxes ordered	37	8	5	50
Number of boxes available for sale	48	11	5	64
Number of boxes distributed	34	7	4	45
Number of undistributed boxes at year end	14	4	1	19
Number of boxes available for sale in the year	48	11	5	64
Disbursed proceeds to the charity	\$ 51,801	\$ -	\$ -	\$ 51,801
Expenses other than license fees	9,894	8,975	11,041	29,910
License fees	4,009	3,832	5,461	13,302
Cash as at December 31, 2016	57,095	-	-	57,095
Gross proceeds	57,120	51,940	67,200	176,260

16. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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