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March 31, 2022

John Howard Society of Ontario
342 Queen St. East
Toronto, ON M5A1S8

Attention: Ms. Paula Osmok

Dear Paula:

We are pleased to enclose the following for John Howard Society of Ontario's year ended December 31, 2021:

1. A copy of our audited financial statements of John Howard Society of Ontario
2. A copy of the journal entries which are to be posted to your general ledger
3. A copy of the final trial balance
4. A copy of the unrecorded journal entries

If you have any questions on the above, please do not hesitate to contact us.

Yours sincerely,
Grant Thornton LLP

A handwritten signature in black ink that reads "Grant Thornton LLP".

Greg McRae, CPA, CA
Partner



Financial Statements

John Howard Society of Ontario

December 31, 2021

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Independent Auditor's Report

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To the Directors of
John Howard Society of Ontario

Qualified opinion

We have audited the financial statements of John Howard Society of Ontario (the "JHSO"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the JHSO as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for qualified opinion

In common with many not-for-profit organizations, the JHSO derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the JHSO. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. The audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the JHSO in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other matter

The financial statements of JHSO for the year ended December 31, 2020, were audited by Sloan Partners LLP who expressed a qualified opinion on those statements on March 27, 2021. The partners and staff of Sloan Partners LLP joined Grant Thornton LLP on January 4, 2022.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

Independent Auditor's Report (continued)

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 JHSO's internal control.
- Evaluate the appropriateness of accounting policies used 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 JHSO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the JHSO 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 in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Toronto, Canada
March 26, 2022

Chartered Professional Accountants
Licensed Public Accountants

John Howard Society of Ontario

Statement of Operations

Year ended December 31	2021	2020
Revenues		
Affiliate contributions	\$ 680,006	\$ 625,704
Research department grants	396,602	235,650
Government assistance (Note 13)	269,317	229,120
Pension plan administration	151,407	170,021
Fundraising	142,842	205,773
John Howard Society of Canada - National Grant	107,746	107,746
Other revenue	13,617	78,671
Amortization of deferred capital contributions	12,785	12,220
Investment income	6,807	7,335
Cost recovery (Note 12)	1,900	14,305
	<u>1,783,029</u>	<u>1,686,545</u>
Expenditures		
Salaries and benefits	1,056,763	988,315
Office and postage	70,321	38,472
Research and other grant expenses	63,610	106,728
Purchased services	46,950	30,135
Affiliate direct services	42,480	47,480
Professional fees	31,953	27,657
Fundraising	26,896	16,021
Web marketing	26,780	132,622
Building occupancy	22,971	17,662
Travel and meeting (Note 12)	18,513	40,980
Insurance	10,085	6,803
Interest on long-term debt	42,212	44,984
Skills development	5,530	2,620
	<u>1,465,064</u>	<u>1,500,479</u>
Excess of revenues over expenditures before amortization of capital assets	317,965	186,066
Amortization of capital assets (Note 5)	<u>115,087</u>	<u>115,986</u>
Excess of revenues over expenditures from operations	202,878	70,080
Unrealized gain on short-term investments	<u>41,277</u>	<u>8,797</u>
Excess of revenues over expenditures	<u>\$ 244,155</u>	<u>\$ 78,877</u>

John Howard Society of Ontario

Statement of Financial Position

December 31

2021

2020

Assets

Current

Cash	\$ 761,669	\$ 662,916
Short-term investments (Note 3)	352,620	307,813
Accounts receivable	69,979	339,572
Harmonized sales tax receivable	11,900	11,463
Prepaid expenses and other current assets	15,734	10,051
Due from affiliates (Note 4)	<u>55,478</u>	<u>113,112</u>

1,267,380 1,444,927

Long-term

Capital assets (Note 5)	<u>2,006,649</u>	<u>2,117,772</u>
-------------------------	------------------	------------------

\$ 3,274,029 \$ 3,562,699

Liabilities

Current

Accounts payable and accrued liabilities (Note 6)	\$ 74,698	\$ 331,133
Deferred research department grants	266,023	435,687
Affiliate benefit deposits held	233,493	233,493
Current portion of due to affiliates (Note 4)	63,906	61,254
Current portion of long-term debt (Note 7)	<u>37,967</u>	<u>37,059</u>

676,087 1,098,626

Long-term

Long-term portion of due to affiliates (Note 4)	87,961	151,867
Long-term debt (Note 7)	669,761	707,319
Deferred capital contributions (Note 8)	167,997	176,819
Deferred contributions (Note 9)	<u>13,486</u>	<u>13,486</u>

939,205 1,049,491

1,615,292 2,148,117

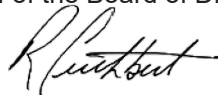
Net assets

Unrestricted	524,680	276,128
Invested in capital assets (Note 10)	979,057	983,454
Internally restricted (Note 11)	<u>155,000</u>	<u>155,000</u>

1,658,737 1,414,582

\$ 3,274,029 \$ 3,562,699

On behalf of the Board of Directors



Director



Director

See accompanying notes to the financial statements.

John Howard Society of Ontario

Statement of Changes in Net Assets

Year ended December 31

	Unrestricted	Invested in capital assets (Note 10)	Internally restricted (Note 11)	Total 2021	Total 2020
Balance, beginning of year	\$ 276,128	\$ 983,454	\$ 155,000	\$ 1,414,582	\$ 1,335,705
Excess (deficiency) of revenues over expenditures	346,457	(102,302)	-	244,155	78,877
Payment of debt related investment in capital assets	<u>(97,905)</u>	<u>97,905</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 524,680</u>	<u>\$ 979,057</u>	<u>\$ 155,000</u>	<u>\$ 1,658,737</u>	<u>\$ 1,414,582</u>

John Howard Society of Ontario

Statement of Cash Flows

Year ended December 31

2021

2020

Increase (decrease) in cash

Operating

Excess of revenues over expenditures	\$ 244,155	\$ 78,877
Items not affecting cash		
Amortization of capital assets (Note 5)	115,087	115,986
Amortization of deferred capital contributions	(12,785)	(12,220)
Unrealized gain on short-term investment	<u>(41,277)</u>	<u>(8,797)</u>
	305,180	173,846
Change in non-cash working capital items		
Accounts receivable	269,593	(209,732)
Harmonized sales tax	(437)	1,273
Prepaid expenses and other current assets	(5,683)	(1,926)
Accounts payable and accrued liabilities	(256,435)	234,965
Deferred research department grants	<u>(169,664)</u>	<u>308,749</u>
	142,554	507,175

Financing

Repayment of long-term debt	(36,650)	(17,592)
Deferred capital contributions received	3,964	8,453
Repayment of advances from affiliates	<u>(61,255)</u>	<u>(15,010)</u>
	(93,941)	(24,149)

Investing

Net change in short-term investments	(3,530)	(97,836)
Due from affiliates	57,634	105,561
Purchase of capital assets (Note 5)	<u>(3,964)</u>	<u>(14,548)</u>
	50,140	(6,823)

Increase in cash 98,753 476,203

Cash

Beginning of year	<u>662,916</u>	<u>186,713</u>
End of year	<u>\$ 761,669</u>	<u>\$ 662,916</u>

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2021

1. Purpose and nature of operations

John Howard Society of Ontario (the "JHSO" or the "Society") and its 19 independent 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 JHSO 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 JHSO, through its Centre of Research and Policy, engages in research and policy initiatives to reflect and further the JHSO's mission.

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

The JHSO is a registered charity and therefore exempt from income taxes under the Income Tax Act (Canada), provided certain disbursement quotas are met.

2. Significant accounting policies

Basis of presentation

The JHSO applies the Canadian accounting standards for not-for-profit organizations and include significant accounting policies as set out below. These financial statements include only the assets, liabilities, revenue, and expenses relating to the JHSO which operates as John Howard Society of Ontario Provincial Office. They do not include the revenue, expenses, assets, or liabilities of the individual affiliates of the JHSO.

At December 31, 2021, the JHSO had 19 incorporated independent 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.

Government assistance

Government assistance received to cover current period expenses are accounted for as revenue.

Capital assets

Capital assets are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	20 years
Furniture and equipment	5 years
Computer equipment	3 years

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2021

2. Significant accounting policies (continued)

Impairment of long-lived assets

The JHSO tests long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Revenue recognition

The JHSO 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 recorded as deferred contributions and recognized as revenue in the year in which the related expenses are recognized. Deferred capital contributions represents the unamortized 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.

Fundraising revenue are unrestricted contributions and affiliate contributions are network fees charged to affiliates and are recognized as revenue in the period which the services are provided.

Deferred research department grants represents amounts received for operating expenses of specific projects as specified by the donors. Amounts are recognized as revenue in the period in which the related expenses are incurred. The amounts recognized as revenue during the year are included in research department grants revenue.

All other revenues are recognized in the period which the services or goods are provided.

Investment income is recognized on the accrual basis.

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 JHSO's financial instruments consists of cash, short-term investments, accounts receivable, due from affiliates, accounts payable, due to affiliates and long term debt.

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 JHSO 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.

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2021

2. Significant accounting policies (continued)

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 expenditures used during the year. Actual results could differ from those estimates.

3. Short-term investments	<u>2021</u>	<u>2020</u>
Equities	<u>\$ 352,620</u>	<u>\$ 307,813</u>

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2021

4. Due from/to affiliates

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

The advance of \$8,000 (2020 - \$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 advances to JHS Belleville are unsecured and non-interest bearing.

The advance of \$47,478 (2020 - \$105,112) 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 Toronto are secured by a mortgage on 1669 Eglinton Avenue West.

The advance of \$400,000 from JHS Ottawa is unsecured and had an initial term of 5 years at 4% interest per annum. During 2021, principal payments of \$61,254 (2020 - \$15,010) were made on this advance. At December 31, 2021 the balance was \$151,867 (2020 - \$213,121). The current portion of the loan is \$63,906 (2020 - \$ 61,254) and the long term-portion is \$87,961 (2020 - \$151,867).

Estimated future principal repayments are as follows:

2022	\$ 63,906
2023	66,510
2024	<u>21,451</u>
	<u>\$ 151,867</u>

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2021

5. Capital assets			2021	2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 578,000	\$ -	\$ 578,000	\$ 578,000
Buildings	2,007,843	591,009	1,416,834	1,517,226
Furniture and equipment	4,857	3,251	1,606	2,577
Computer equipment	52,115	41,906	10,209	19,969
	\$ 2,642,815	\$ 636,166	\$ 2,006,649	\$ 2,117,772
			2021	2020
Balance, beginning of the year			\$ 2,117,772	\$ 2,219,210
Purchase of capital assets internally financed (Note 10)			-	6,095
Purchase of capital assets funded by deferred capital contributions (Note 8)			3,964	8,453
Less: amortization of capital assets (Note 10)			(115,087)	(115,986)
			\$ 2,006,649	\$ 2,117,772

6. Accounts payable and accrued liabilities

As at December 31, 2021, there are \$Nil (2020 - \$Nil) government remittances payable.

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2021

7. Long-term debt

	<u>2021</u>	<u>2020</u>
Royal Bank of Canada term loan, payable in monthly blended principal and interest payments of \$3,291 bearing interest at 4.88% per annum. Loan matures December 11, 2023 and is secured by a general security agreement and a mortgage on 342 Queen Street East. The credit facility agreement also requires the JHSO to comply with certain financial covenants. As of December 31, 2021 JHSO was in compliance with these covenants.	\$ 368,220	\$ 389,498
Royal Bank of Canada term loan, payable in monthly blended principal and interest payments of \$2,664 bearing interest at 4.81% per annum. Loan matures May 30, 2023 and is secured by a general security agreement and a mortgage on 342 Queen Street East. The credit facility agreement also requires the JHSO to comply with certain financial covenants. As of December 31, 2021 JHSO was in compliance with these covenants.	<u>339,508</u>	<u>354,880</u>
	707,728	744,378
Less current portion	<u>37,967</u>	<u>37,059</u>
Due beyond one year	<u>\$ 669,761</u>	<u>\$ 707,319</u>
Estimated future principal repayments are as follows:		
2022	\$ 37,967	
2023	<u>669,761</u>	
	<u>\$ 707,728</u>	

8. Deferred capital contributions

The changes in the deferred capital contributions balance for the year are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 176,819	\$ 180,586
Contributions received	3,963	8,453
Amortization of deferred capital contributions	<u>(12,785)</u>	<u>(12,220)</u>
Unamortized deferred capital contributions used to purchase capital assets (Note 10)	<u>\$ 167,997</u>	<u>\$ 176,819</u>

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2021

9. Deferred contributions

Deferred contributions represent unspent externally restricted grants and donations and consists of the following:

	<u>2021</u>	<u>2020</u>
McFarlane Scholarship	<u>\$ 13,486</u>	<u>\$ 13,486</u>

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

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:

	<u>2021</u>	<u>2020</u>
Capital assets, net (Note 5)	<u>\$ 2,006,649</u>	\$ 2,117,772
Less: due to affiliates (Note 4)	<u>(151,867)</u>	(213,121)
Less: long-term debt (Note 7)	<u>(707,728)</u>	(744,378)
Less: unamortized deferred capital contributions used to purchase capital assets (Note 8)	<u>(167,997)</u>	(176,819)
	<u>\$ 979,057</u>	<u>\$ 983,454</u>

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

	<u>2021</u>	<u>2020</u>
Purchase of capital assets internally financed (Note 5)	\$ -	\$ 6,095
Repayment of long-term debt principal	<u>97,905</u>	32,602
Less: amortization of capital assets (Note 5)	<u>(115,087)</u>	(115,986)
Amortization of deferred capital contributions	<u>12,785</u>	12,220
	<u>\$ (4,397)</u>	<u>\$ (65,069)</u>

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>2021</u>	<u>2020</u>
Capital Reserve	<u>\$ 130,000</u>	\$ 130,000
Operating Reserve	<u>25,000</u>	25,000
	<u>\$ 155,000</u>	<u>\$ 155,000</u>

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2021

11. Internally restricted net assets (continued)

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. Travel and meeting expenses

Included in travel and meetings expenses are \$1,900 (2020 - \$14,305) worth of costs for accommodation, travel, and food which have been recovered from the affiliates and pension committee.

13. Government assistance

Canada Emergency Rent Subsidy:

Effective September 27, 2020, the Canada Emergency Rent Subsidy (CERS) came into force providing a rent subsidy to eligible Canadian companies to enable them to cover rent or property expenses. In order to take advantage of the CERS, companies must satisfy certain eligibility criteria. During the year, JHSO applied and received for \$36,588 (2020 - \$Nil) of CERS which is recorded in government assistance revenue in the statement of operations.

Canada Emergency Wage Subsidy:

Effective April 11, 2020, the Canada Emergency Wage Subsidy (CEWS) came into force providing a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their own payroll. In order to take advantage of the CEWS, companies must satisfy certain eligibility criteria. During the year, JHSO applied and received for \$232,729 (2020 - \$229,120) of CEWS which is recorded in government assistance revenue on the statement of operations.

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2021

14. Pension plan

The JHSO makes contributions to The Retirement Plan for Employees of John Howard Society of Ontario, its Affiliates and Participating Branches (the "Plan"). The JHSO 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 JHSO.

Every three years, an independent actuary determines the funding status of the Plan. The most recent actuarial valuation of the Plan was conducted at July 1, 2020. The results of the actuarial valuation for the defined benefit component of the Plan disclosed a funding surplus based on a hypothetical wind-up basis of \$879,600. The hypothetical wind-up valuation is based on the values of the Plan's assets and liabilities assuming the Plan is wound up and settled on the valuation date. Further, the valuation report disclosed a funding deficit of \$1,315,100 based on the going concern valuation basis which compares the relationship between the value of the Plan assets and the present value of the going concern liabilities assuming the Plan will be maintained indefinitely. In addition, the actuarial report disclosed a funding surplus based on a solvency basis of \$879,600 which is determined in a similar manner to the hypothetical wind-up basis.

The funded status of each of the individual affiliates and branch offices and the amount for which an individual office is obligated under the Plan cannot be quantified. As a result, the JHSO follows the accounting standards for defined contribution plans for both plan components. The employer portion of pension contribution for the year was \$34,326 (2020 – \$28,981) and is recorded in salaries and benefits in the statement of operations.

15. Bank overdraft

The JHSO 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, 2021, the JHSO has drawn \$Nil (2020 - \$Nil) of the total line of credit available.

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2021

16. Financial instruments

The financial instruments of the JHSO and the nature of the risks to which it may be subject are as follows:

(a) 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 JHSO's main credit risks relate to its accounts receivable. The JHSO does not believe it is subject to any significant concentration of customer credit risk as accounts receivable are generally the result of fees billed to multiple affiliates and grant receivables.

(b) Liquidity risk

Liquidity risk is the risk that the JHSO will encounter difficulty in meeting the obligations associated with its financial liabilities. The JHSO is exposed to this risk mainly in respect of its accounts payable, due to affiliates and long-term debt. Liquidity risk is not considered to be significant based on the JHSO's strong working capital position.

(c) Market risk

Market risk is the risk that the fair value or expected 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. The JHSO is mainly exposed to interest rate risk and other price risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Some assets are exposed to foreign exchange fluctuations. As at December 31, 2021, cash and short-term investments of \$2,603 (2020 - \$768) and \$30,712 (2020 - \$26,139) respectively are denominated in US dollars and converted into Canadian dollars.

(ii) 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 JHSO is exposed to interest rate risk on its fixed interest rate financial instruments. Given the current composition of long-term debt, fixed-rate instruments subject the JHSO to a fair value risk.

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16. Financial instruments (continued)

(c) Market risk (continued)

(iii) Other price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of equities held. There was no significant change in exposure from the prior year.

This risk is managed through diversification of investments across industries and geographic locations.

The JHSO's investments are spread over multiple sectors at the statement of financial position date and are not considered to be concentrated in one particular industry.

17. Break-open ticket lotteries

The Society was licensed by the Alcohol and Gaming Commission of the Province of Ontario, licenses number 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:

	<u>BN1</u>	<u>BN14</u>	<u>BN26</u>	<u>Total</u>
Number of boxes undistributed as at January 1, 2021	6	1	-	7
Number of boxes ordered	<u>13</u>	<u>4</u>	<u>1</u>	<u>18</u>
Number of boxes available for sale	<u>19</u>	<u>5</u>	<u>1</u>	<u>25</u>
Number of boxes distributed	15	4	1	20
Number of undistributed boxes at year end	<u>4</u>	<u>1</u>	<u>-</u>	<u>5</u>
Number of boxes available for sale in the year	<u>19</u>	<u>5</u>	<u>1</u>	<u>25</u>
Disbursed proceeds to the charity	\$ 8,475	\$ 9,960	\$ 5,360	\$ 23,795
Expenses other than license fees	4,365	5,129	2,760	12,254
License fees	435	591	343	1,369
Cash as at December 31, 2021	38,656	-	-	38,656
Gross proceeds	3,676	4,239	2,256	10,171

The proceeds are included in fundraising revenue.

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18. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

19. Impact of COVID-19

During the year ended December 31, 2021, the spread of Covid-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Throughout 2021, the pandemic had minimal impact on the JHSO's operations. The JHSO was eligible to apply for and receive federal subsidies in order to cover occupancy and payroll expenditures (Note 13).

The duration and impact of the Covid-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the JHSO for future periods.
