



Financial Statements

John Howard Society of Ontario

December 31, 2022

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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, 2022, 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, 2022, 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, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. The audit opinion on the financial statements for the year ended December 31, 2021 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.

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 25, 2023

Chartered Professional Accountants
Licensed Public Accountants

John Howard Society of Ontario

Statement of Operations

Year ended December 31

	2022	2021
Revenues		
Affiliate contributions	\$ 678,969	\$ 680,006
Research department grants	566,244	396,602
Pension plan administration	173,339	151,407
Fundraising	143,367	142,842
John Howard Society of Canada - National Grant	107,781	107,746
Other revenue	68,822	13,617
Amortization of deferred capital contributions	17,158	12,785
Bequest	12,500	-
Cost recovery (Note 12)	12,310	1,900
Investment income	3,635	6,807
Government assistance (Note 13)	-	269,317
	<u>1,784,125</u>	<u>1,783,029</u>
Expenditures		
Salaries and benefits	1,173,464	1,056,763
Travel and meeting (Note 12)	61,683	18,513
Office and postage	50,933	70,321
Web marketing	47,805	26,780
Professional fees	42,536	31,953
Affiliate direct services	42,307	42,480
Interest on long-term debt	38,546	42,212
Building occupancy	26,556	22,971
Fundraising	21,254	26,896
Insurance	15,408	10,085
Skills development	11,320	5,530
Research and other grant expenses	8,298	63,610
Purchased services	3,484	46,950
	<u>1,543,594</u>	<u>1,465,064</u>
Excess of revenues over expenditures before amortization of capital assets	240,531	317,965
Amortization of capital assets (Note 5)	<u>107,061</u>	<u>115,087</u>
Excess of revenues over expenditures from operations	133,470	202,878
Unrealized (loss) gain on short-term investments	<u>(29,943)</u>	<u>41,277</u>
Excess of revenues over expenditures	<u>\$ 103,527</u>	<u>\$ 244,155</u>

John Howard Society of Ontario

Statement of Financial Position

December 31

2022

2021

Assets

Current

Cash	\$ 1,338,023	\$ 761,669
Short-term investments (Note 3)	480,998	352,620
Accounts receivable	189,105	69,979
Harmonized sales tax receivable	3,348	11,900
Prepaid expenses and other current assets	16,390	15,734
Due from affiliates (Note 4)	<u>8,000</u>	<u>55,478</u>

2,035,864 1,267,380

Long-term

Capital assets (Note 5)	<u>1,902,265</u>	<u>2,006,649</u>
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\$ 3,938,129 **\$ 3,274,029**

Liabilities

Current

Accounts payable and accrued liabilities (Note 6)	\$ 556,578	\$ 74,698
Deferred research department grants	453,595	266,023
Affiliate benefit deposits held	243,493	233,493
Current portion of due to affiliates (Note 4)	66,510	63,906
Current portion of long-term debt (Note 7)	<u>669,893</u>	<u>37,967</u>

1,990,069 676,087

Long-term

Long-term portion of due to affiliates (Note 4)	21,471	87,961
Long-term debt (Note 7)	-	669,761
Deferred capital contributions (Note 8)	150,839	167,997
Deferred contributions (Note 9)	<u>13,486</u>	<u>13,486</u>

185,796 939,205

2,175,865 1,615,292

Net assets

Unrestricted	613,712	524,680
Invested in capital assets (Note 10)	993,552	979,057
Internally restricted (Note 11)	<u>155,000</u>	<u>155,000</u>

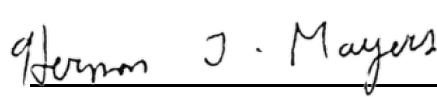
1,762,264 1,658,737

\$ 3,938,129 **\$ 3,274,029**

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 2022	Total 2021
Balance, beginning of year	\$ 524,680	\$ 979,057	\$ 155,000	\$ 1,658,737	\$ 1,414,582
Excess (deficiency) of revenues over expenditures	193,430	(89,903)	-	103,527	244,155
Internally financed investment in capital assets	(2,677)	2,677	-	-	-
Payment of debt related investment in capital assets	<u>(101,721)</u>	<u>101,721</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 613,712</u>	<u>\$ 993,552</u>	<u>\$ 155,000</u>	<u>\$ 1,762,264</u>	<u>\$ 1,658,737</u>

John Howard Society of Ontario

Statement of Cash Flows

Year ended December 31

2022

2021

Increase (decrease) in cash

Operating

Excess of revenues over expenditures	\$ 103,527	\$ 244,155
Items not affecting cash		
Amortization of capital assets (Note 5)	107,061	115,087
Amortization of deferred capital contributions	(17,158)	(12,785)
Unrealized loss (gain) on short-term investment	<u>29,943</u>	<u>(41,277)</u>

223,373 305,180

Change in non-cash working capital items

Accounts receivable	(119,126)	269,593
Harmonized sales tax	8,552	(437)
Prepaid expenses and other current assets	(656)	(5,683)
Accounts payable and accrued liabilities	481,880	(256,435)
Deferred research department grants	187,572	(169,664)
Affiliate benefit deposits held	<u>10,000</u>	<u>-</u>

791,595 142,554

Financing

Repayment of long-term debt	(37,835)	(36,650)
Deferred capital contributions received	-	3,964
Repayment of advances from affiliates	<u>(63,886)</u>	<u>(61,255)</u>

(101,721) (93,941)

Investing

Net change in short-term investments	(3,321)	(3,530)
Purchase of investments	(155,000)	-
Due from affiliates	47,478	57,634
Purchase of capital assets (Note 5)	<u>(2,677)</u>	<u>(3,964)</u>

(113,520) 50,140

Increase in cash

576,354 98,753

Cash

 Beginning of year 761,669 662,916

 End of year \$ 1,338,023 \$ 761,669

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2022

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, 2022, 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.

Short-term investments

Short-term investments consists of equity instruments, mutual funds and term deposits with a maturity period of more than three months at the date of acquisition.

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2022

2. Significant accounting policies (continued)

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

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.

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2022

2. 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 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.

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

Management reviews the carrying amounts of items in the financial statements at each reporting date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically, and adjustments are made to net income as appropriate in the year they become known.

Items subject to significant management estimates include valuation of receivables, accrued liabilities and useful lives of capital assets.

3. Short-term investments	<u>2022</u>	<u>2021</u>
Equities	\$ 325,998	\$ 352,620
GIC, 5% per annum, maturing at November 3, 2023	<u>155,000</u>	<u>-</u>
	<u>\$ 480,998</u>	<u>\$ 352,620</u>

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2022

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 (2021 - \$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 \$Nil (2021 - \$47,478) 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 2022, principal payments of \$63,886 (2021 - \$61,254) were made on this advance. At December 31, 2022 the balance was \$87,981 (2021 - \$151,867). The current portion of the loan is \$66,510 (2021 - \$ 63,906) and the long term-portion is \$21,471 (2021 - \$87,961).

Estimated future principal repayments are as follows:

2023	\$ 66,510
2024	<u>21,471</u>
	<u>\$ 87,981</u>

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2022

5. Capital assets			<u>2022</u>	<u>2021</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 578,000	\$ -	\$ 578,000	\$ 578,000
Buildings	2,007,843	691,401	1,316,442	1,416,834
Furniture and equipment	3,035	2,036	999	1,606
Computer equipment	<u>19,523</u>	<u>12,699</u>	<u>6,824</u>	<u>10,209</u>
	<u>\$ 2,608,401</u>	<u>\$ 706,136</u>	<u>\$ 1,902,265</u>	<u>\$ 2,006,649</u>
			<u>2022</u>	<u>2021</u>
Balance, beginning of the year			\$ 2,006,649	\$ 2,117,772
Purchase of capital assets funded by deferred capital contributions (Note 8)			-	3,964
Less: amortization of capital assets (Note 10)			(107,061)	(115,087)
Purchase of capital assets internally financed (Note 10)			<u>2,677</u>	<u>-</u>
			<u>\$ 1,902,265</u>	<u>\$ 2,006,649</u>

6. Accounts payable and accrued liabilities

As at December 31, 2022, there are \$Nil (2021 - \$Nil) government remittances payable.

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2022

7. Long-term debt

	<u>2022</u>	<u>2021</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, 2022 JHSO was in compliance with these covenants.	\$ 346,315	\$ 368,220
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, 2022 JHSO was in compliance with these covenants.	<u>323,578</u>	<u>339,508</u>
	669,893	707,728
Less current portion	<u>669,893</u>	<u>37,967</u>
Due beyond one year	<u>\$ -</u>	<u>\$ 669,761</u>
Estimated future principal repayments are as follows: 2023	<u>\$ 669,893</u>	

8. Deferred capital contributions

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 167,997	\$ 176,819
Contributions received	-	3,963
Amortization of deferred capital contributions	<u>(17,158)</u>	<u>(12,785)</u>
Unamortized deferred capital contributions used to purchase capital assets (Note 10)	<u>\$ 150,839</u>	<u>\$ 167,997</u>

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2022

9. Deferred contributions

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

	<u>2022</u>	<u>2021</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>2022</u>	<u>2021</u>
Capital assets, net (Note 5)	<u>\$ 1,902,265</u>	\$ 2,006,649
Less: due to affiliates (Note 4)	<u>(87,981)</u>	(151,867)
Less: long-term debt (Note 7)	<u>(669,893)</u>	(707,728)
Less: unamortized deferred capital contributions used to purchase capital assets (Note 8)	<u>(150,839)</u>	(167,997)
	<u>\$ 993,552</u>	<u>\$ 979,057</u>

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

	<u>2022</u>	<u>2021</u>
Purchase of capital assets internally financed (Note 5)	<u>\$ 2,677</u>	\$ -
Repayment of long-term debt principal	<u>101,721</u>	97,905
Less: amortization of capital assets (Note 5)	<u>(107,061)</u>	(115,087)
Amortization of deferred capital contributions	<u>17,158</u>	12,785
	<u>\$ 14,495</u>	<u>\$ (4,397)</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>2022</u>	<u>2021</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, 2022

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 \$12,310 (2021 - \$1,900) 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. During the year, JHSO applied and received for \$Nil (2021 - \$36,588) of CERS.

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. During the year, JHSO applied and received for \$Nil (2021 - \$232,729) of CEWS.

14. 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, 2022, the JHSO has drawn \$Nil (2021 - \$Nil) of the total line of credit available.

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2022

15. 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 \$45,539 (2021 – \$34,326) and is recorded in salaries and benefits in the statement of operations.

John Howard Society of Ontario

Notes to the Financial Statements

December 31, 2022

16. 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, 2022	4	1	-	5
Number of boxes ordered	<u>12</u>	<u>3</u>	<u>-</u>	<u>15</u>
Number of boxes available for sale	<u>16</u>	<u>4</u>	<u>-</u>	<u>20</u>
Number of boxes distributed	8	3	-	11
Number of undistributed boxes at year end	<u>8</u>	<u>1</u>	<u>-</u>	<u>9</u>
Number of boxes available for sale in the year	<u>16</u>	<u>4</u>	<u>-</u>	<u>20</u>
Disbursed proceeds to the charity	\$ 4,539	\$ 7,470	\$ -	\$ 12,009
Expenses other than license fees	2,337	3,847	-	6,184
License fees	401	444	-	845
Cash as at December 31, 2022	-	15,718	-	15,718
Gross proceeds	1,800	3,179	-	4,979

The proceeds are included in fundraising revenue.

17. 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.

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17. Financial instruments (continued)

(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, 2022, cash and short-term investments of \$6,710 (2021 - \$2,603) and \$24,534 (2021 - \$30,712) 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.

(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.
