

**John Howard Society of Ontario  
Financial Statements  
For the Year Ended December 31, 2023**

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Financial Statements  
For the Year Ended December 31, 2023**

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## Independent Auditor's Report

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To the Board of Directors of John Howard Society of Ontario

### Qualified Opinion

We have audited the accompanying financial statements of John Howard Society of Ontario (the "Society"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and 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 possible 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 Society as at December 31, 2023, and its results of 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 other not-for-profit organizations, the Society 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 Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2022 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 Society 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 the Society for the year ended December 31, 2022, were audited by another auditor who expressed a qualified opinion on those statements on March 25, 2023 for the reasons described in the Basis for Qualified Opinion section.



### **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.

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

Those charged with governance are responsible for overseeing the the Society'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 the Society'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 the Society'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 the Society 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario  
March 23, 2024

## John Howard Society of Ontario Statement of Financial Position

December 31	2023	2022
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 960,481	\$ 1,338,023
Short-term investments (Note 3)	353,774	480,998
Accounts receivable	249,008	192,453
Harmonized sales tax receivable	25,223	3,348
Prepaid expenses	22,654	16,390
	1,611,140	2,031,212
<b>Capital assets (Note 5)</b>	1,801,213	1,902,265
<b>Due from affiliate (Note 4)</b>	20,000	8,000
	\$ 3,432,353	\$ 3,941,477
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts Payable	\$ 401,978	\$ 559,926
Deferred research department grants (Note 6)	116,208	442,782
Affiliate benefit deposits held (Note 7)	243,493	243,493
Deferred contributions (Note 10)	37,196	24,299
Current portion of due to affiliates (Note 4)	21,478	66,510
Current portion of long-term debt (Note 8)	41,197	669,893
Current portion of deferred capital contributions (Note 9)	12,785	12,785
	837,139	1,995,389
<b>Long-term debt (Note 8)</b>	588,861	-
<b>Long-term portion of due to affiliates (Note 4)</b>	-	21,471
<b>Deferred capital contributions (Note 9)</b>	125,269	138,054
	1,588,465	2,179,213
<b>Net Assets</b>		
Invested in capital assets (Note 11)	1,011,623	993,552
Internally restricted (Note 12)	155,000	155,000
Unrestricted	677,265	613,712
	1,843,888	1,762,264
	\$ 3,432,353	\$ 3,941,477

The accompanying notes are an integral part of these financial statements.

## John Howard Society of Ontario Statement of Changes in Net Assets

For the year ended December 31	Unrestricted	Invested in capital assets (Note 11)	Internally restricted (Note 12)	2023 Total	2022 Total
Balance, beginning of the year	\$ 613,712	\$ 993,552	\$ 155,000	\$ 1,762,264	\$ 1,658,737
Excess (deficiency) of revenue over expenses	176,346	(94,722)	-	81,624	103,527
Internally financed investment in capital assets	(6,455)	6,455	-	-	-
Payment of debt related to investment in capital assets	(106,338)	106,338	-	-	-
<b>Balance, end of the year</b>	<b>\$ 677,265</b>	<b>\$ 1,011,623</b>	<b>\$ 155,000</b>	<b>\$ 1,843,888</b>	<b>\$ 1,762,264</b>

The accompanying notes are an integral part of these financial statements.

## John Howard Society of Ontario Statement of Operations

For the year ended December 31	2023	2022
<b>Revenue</b>		
Affiliate contributions	\$ 724,575	\$ 678,969
Research department grants	450,288	566,244
Fundraising (Schedule of Fundraising Revenue)	177,292	143,367
Pension plan administration	145,611	173,339
Staff conference	154,190	-
John Howard Society of Canada - National Grant	107,746	107,781
Cost recovery	78,155	21,822
Other revenue	33,493	59,310
Investment income	39,075	3,635
Amortization of deferred capital contributions	12,785	17,158
Unrealized gains (losses) on short-term investments	6,732	(29,943)
Bequest	-	12,500
	<b>1,929,942</b>	<b>1,754,182</b>
<b>Expenses</b>		
Affiliate direct services	40,088	42,307
Amortization	107,507	107,061
Building occupancy	35,617	26,556
Fundraising	5,041	21,254
Insurance	20,667	15,408
Interest on long-term debt	35,754	38,546
Office and postage	55,438	48,428
Professional fees	33,378	45,282
Purchased services	36,221	3,484
Research and other grant expenses	54,921	8,298
Salaries and benefits (Note 13)	1,165,658	1,173,223
Staff conference	153,020	-
Staff development	20,455	11,320
Travel and meeting	41,643	61,683
Web marketing	42,910	47,805
	<b>1,848,318</b>	<b>1,650,655</b>
<b>Excess of revenue over expenses</b>	<b>\$ 81,624</b>	<b>\$ 103,527</b>

The accompanying notes are an integral part of these financial statements.



## John Howard Society of Ontario Statement of Cash Flows

For the year ended December 31	2023	2022
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses	\$ 81,624	\$ 103,527
Items not affecting cash:		
Amortization of capital assets	107,507	107,061
Amortization of deferred capital contributions	(12,785)	(17,158)
Unrealized (gain) loss on short-term investments	(6,732)	29,943
	169,614	223,373
Changes in non-cash working capital:		
Accounts receivable	(56,555)	(119,126)
Harmonized sales tax	(21,875)	8,552
Due from affiliates	(12,000)	47,478
Prepaid expenses	(6,264)	(656)
Accounts payable and accrued liabilities	(157,948)	481,880
Deferred research department grants	(326,574)	187,572
Affiliate benefit deposits held	-	10,000
Deferred contributions	12,897	-
	(398,705)	839,073
<b>Cash flows from investing activities</b>		
Purchase of investments	-	(155,000)
Net change in short-term investments	(21,044)	(3,321)
Purchase of capital assets	(6,455)	(2,677)
Proceeds on redemption of short-term investments	155,000	-
	127,501	(160,998)
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(39,835)	(37,835)
Repayment of advances from affiliates	(66,503)	(63,886)
	(106,338)	(101,721)
<b>Net (decrease) increase in cash</b>	<b>(377,542)</b>	<b>576,354</b>
<b>Cash, beginning of the year</b>	<b>1,338,023</b>	<b>761,669</b>
<b>Cash, end of the year</b>	<b>\$ 960,481</b>	<b>\$ 1,338,023</b>

The accompanying notes are an integral part of these financial statements.

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# John Howard Society of Ontario

## Notes to Financial Statements

December 31, 2023

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### 1 .Significant Accounting Policies

#### Nature and Purpose of Organization

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

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

The Society, through its Centre of Research and Policy, engages in research and policy 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 disbursements quotas are met.

#### Basis of Accounting

The financial statements have been prepared using 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 Society 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 Society.

At December 31, 2023, the Society had 19 incorporated independent affiliates: Belleville, Durham, Hamilton - Burlington and area, Kawartha Lakes-Haliburton, Kingston, London, Niagara, Ottawa, Peel-Halton-Dufferin, Peterborough, Sarnia-Lamton, Sault Ste. Marie, Simcoe-Musokoka, Sudbury, Thunder Bay, Toronto, Waterloo-Wellington, Windsor-Essex, and York Region. Separate financial statements are prepared for each of the affiliates.

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# John Howard Society of Ontario

## Notes to Financial Statements

December 31, 2023

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### 1. Significant Accounting Policies (continued)

#### 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 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 capital assets.

Fundraising revenue represents unrestricted contributions and are recognized as revenue in the period which the contributions are received.

Affiliate contributions represent network fees that are charged to affiliates and are recognized as revenue when the services are rendered.

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.

Investment income is recognized on the accrual basis.

Pension plan revenue is recognized on the accrual basis once the Society bills the pension plan provider.

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

#### Short-term Investments

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

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# John Howard Society of Ontario

## Notes to Financial Statements

December 31, 2023

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### 1. Significant Accounting Policies (continued)

#### Capital Assets

Purchased tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution, unless fair value is not determinable in which case contributed tangible capital assets are recorded at nominal value at the date of contribution. Contributed tangible capital assets are subsequently amortized over their estimated useful life. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the tangible capital asset are capitalized.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Building	Straight-line	20 years
Furniture and equipment	Straight-line	5 years
Computer equipment	Straight-line	3 years

When a tangible capital asset no longer contributes to the Society's ability to provide goods and services, or the future economic benefits or service potential of the tangible capital asset is less than its carrying value, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

When a tangible capital asset is disposed of, the difference between the net proceeds on disposition and the net carrying amount is recognized in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset disposed of is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

#### Contributed Services

Volunteers contribute many hours per year to assist the Society in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

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# John Howard Society of Ontario

## Notes to Financial Statements

December 31, 2023

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### 1. Significant Accounting Policies (continued)

<b>Financial Instruments</b>	<p>Arm's length financial instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, equities traded in an active market are reported at fair value, with any change in fair value reported in income.</p> <p>All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.</p> <p>Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.</p> <p>The Society's financial assets comprise of short-term investments, which are recorded at fair value; and cash, accounts receivable, harmonized sales tax receivable and due from affiliates which are recorded at amortized cost. The Society's financial liabilities comprise of accounts payable, due to affiliates and long-term debt which are recorded at amortized cost.</p>
<b>Use of Estimates</b>	<p>The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The principal estimates used in the preparation of these financial statements are allowance for doubtful accounts, the useful life of capital assets and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes readily available in the future.</p>

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## John Howard Society of Ontario Notes to Financial Statements

**December 31, 2023**

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### 2. Credit Facility

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. As at December 31, 2023, the Society has drawn \$Nil (2022 - \$Nil) of the total line of credit available.

The above credit facility is secured by the following:

- General security agreement constituting a first ranking security interest in all personal property of the Borrower.

The following covenant is to be met by the Society:

- Debt Service Coverage Ratio of not less than 1.25:1.00
- 

### 3. Investments

The carrying amounts of investments are comprised of the following:

	2023		2022	
	Market	Cost	Market	Cost
Equities	\$ 353,774	\$ 312,276	\$ 325,998	\$ 303,479
GIC, 5% per annum, matured November, 2023	-	-	155,000	155,000
	<u>\$ 353,774</u>	<u>\$ 312,276</u>	<u>\$ 480,998</u>	<u>\$ 458,479</u>

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## John Howard Society of Ontario Notes to Financial Statements

**December 31, 2023**

### 4. Due (to) from Affiliates

Included in the balance of due from affiliates are advances made to the John Howard Society of Sarnia and John Howard Society of Belleville.

In the prior year an advance of \$8,000 was due from John Howard Society of Belleville. The advance did not have fixed repayment terms, was unsecured and non-interest bearing. This advance was repaid during the current fiscal year.

The advance of \$20,000 (2022 - \$Nil) due from the John Howard Society of Sarnia is interest-free until January 31, 2024 with no fixed terms of repayment. Subsequent to January 31, 2024 the interest shall be payable at a rate equal to RBC's prime rate plus 0.25%, calculated and payable monthly, provided that the Society may, in its sole discretion waive interest at any time and from time to time.

Included in the balance of due to affiliates are advances received from the John Howard Society of Ottawa.

The advance from John Howard Society of Ottawa to the Society is unsecured and payable monthly in blended interest and principal payments of \$5,734 at 4% interest per annum, due April, 2024. During 2023, principal payments of \$66,503 (2022 - \$63,886) were made on this advance. As at December 31, 2023 the balance owing to the affiliate is \$21,478 (2022 - \$87,981). The current portion of the loan is \$21,478 (2022 - \$66,510) and the long term portion is \$Nil (2022 - \$21,471).

### 5. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 578,000	\$ -	\$ 578,000	\$ -
Building	2,007,843	791,793	2,007,843	691,401
Furniture and equipment	6,443	2,644	3,035	2,036
Computer equipment	22,571	19,207	19,523	12,699
	<b>2,614,857</b>	<b>813,644</b>	<b>2,608,401</b>	<b>706,136</b>
		<b>\$ 1,801,213</b>		<b>\$ 1,902,265</b>

## John Howard Society of Ontario Notes to Financial Statements

**December 31, 2023**

### 6. Deferred Research Department Grants

Deferred research department grants represent unspent externally restricted grants used to engage in research and policy initiatives.

The changes in the deferred research department grants balance reported for the year are as follows:

	2023		
	National Grant	Research Department Grants	Foundations
Opening balance	\$ 26,937	\$ 375,845	\$ 40,000
Contributions received during the year	107,746	1,367,531	166,158
Contributions received transferred to affiliates	-	(1,295,378)	-
Contributions recognized into revenue during the year	(107,746)	(450,288)	(114,597)
	\$ 26,937	\$ (2,290)	\$ 91,561
Ending balance			\$ 116,208
	2022		
	National Grant	Research Department Grants	Foundations
Opening balance	\$ 26,937	\$ 183,816	\$ 49,271
Contributions received during the year	107,781	1,763,604	42,500
Contributions received transferred to affiliates	-	(1,005,331)	-
Contributions recognized into revenue during the year	(107,781)	(566,244)	(51,771)
	\$ 26,937	\$ 375,845	\$ 40,000
Ending balance			\$ 442,782

### 7. Affiliate Benefit Deposits Held

Affiliate benefit deposits held represent deposits received from the affiliates to cover premiums due for benefits for one month.



## John Howard Society of Ontario Notes to Financial Statements

December 31, 2023

### 8. Long-term Debt

	2023	2022
Royal Bank of Canada - term loan in monthly blended principal and interest payments of \$3,665 bearing interest at 6.42% per annum maturing December, 2025.	\$ 322,971	\$ -
Royal Bank of Canada - term loan in monthly blended principal and interest payments of \$2,924 bearing interest at 5.96% per annum maturing May, 2025.	307,087	-
Royal Bank of Canada - term loan in monthly blended principal and interest payments of \$3,291 bearing interest at 4.88% per annum. Loan matured December, 2023.	-	346,315
Royal Bank of Canada - term loan in monthly blended principal and interest payments of \$2,664 bearing interest at 4.81% per annum. Loan matured May, 2023.	-	323,578
	630,058	669,893
Less: current portion	(41,197)	(669,893)
	\$ 588,861	\$ -

The above term loans are secured by the following:

- General security agreement constituting a first ranking security interest in all personal property of the Borrower.
- Collateral mortgage signed by the Borrower constituting a first fixed charge on the lands and improvements located at 342 Queen Street East, Toronto.

The following covenant is to be met by the Society:

- Debt Service Coverage Ratio of not less than 1.25:1.00

Principal repayments for the next two years are as follows:

2024	\$ 41,197
2025	588,861
Total	\$ 630,058

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## John Howard Society of Ontario Notes to Financial Statements

**December 31, 2023**

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### 9. Deferred Capital Contributions

Deferred capital contributions represent unamortized restricted grants and donations used to purchase capital assets.

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

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 150,839	\$ 167,997
Amortization of deferred capital contributions	<u>(12,785)</u>	<u>(17,158)</u>
Ending balance	138,054	150,839
Less: current portion	<u>12,785</u>	<u>12,785</u>
Non-current portion	<u>\$ 125,269</u>	<u>\$ 138,054</u>

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## John Howard Society of Ontario Notes to Financial Statements

December 31, 2023

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### 10. Deferred Contributions

Deferred contributions represent unspent externally and internally restricted grants, donations, and funds received from affiliates and consist of the following:

	2023		
	McFarlane Scholarship	Staff Conference	Donations
Opening balance	\$ 13,486	\$ 6,000	\$ 4,813
Contributions received during the year	-	171,900	-
Contributions recognized into revenue during the year	-	(154,190)	(4,813)
	<b>\$ 13,486</b>	<b>\$ 23,710</b>	<b>\$ -</b>
Ending balance			<b>\$ 37,196</b>
	2022		
	McFarlane Scholarship	Staff Conference	Donations
Opening balance	\$ 13,486	\$ 6,000	\$ -
Contributions received during the year	-	-	4,813
	<b>\$ 13,486</b>	<b>\$ 6,000</b>	<b>\$ 4,813</b>
Ending balance			<b>\$ 24,299</b>

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.

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## John Howard Society of Ontario Notes to Financial Statements

**December 31, 2023**

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### 11. Invested in Capital Assets

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

	2023	2022
Capital assets, net (Note 5)	\$ 1,801,213	\$ 1,902,265
Less: due to affiliates (Note 4)	(21,478)	(87,981)
Less: long-term debt (Note 8)	(630,058)	(669,893)
Less: unamortized deferred capital contributions used to purchase capital assets (Note 9)	(138,054)	(150,839)
	\$ 1,011,623	\$ 993,552

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

	2023	2022
Purchase of capital assets internally financed (Note 5)	\$ 6,455	\$ 2,677
Repayment of long-term debt principal	106,338	101,721
Less: amortization of capital assets (Note 5)	(107,507)	(107,061)
Amortization of deferred capital contributions	12,785	17,158
	\$ 18,071	\$ 14,495

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### 12. Internally Restricted Net Assets

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

	2023	2022
Capital Reserve	\$ 130,000	\$ 130,000
Operating Reserve	25,000	25,000
	\$ 155,000	\$ 155,000

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

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

Expenditures from these internally restricted net assets require Board approval.

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## John Howard Society of Ontario Notes to Financial Statements

December 31, 2023

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### 13. Pension Plan

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

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 Society follows the accounting standards for defined contribution plans for both plan components. The employer portion of pension contribution for the year was \$51,689 (2022 - \$45,539) and is recorded in salaries and benefits in the statement of operations.

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## John Howard Society of Ontario Notes to Financial Statements

December 31, 2023

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### 14. Break-open Tickets 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:

	BN1	BN14	BN31	AG91	Total
Number of boxes undistributed as at January 1, 2023	8	1	-	-	9
Number of boxes ordered	(4)	1	1	2	-
Number of boxes available for sale	4	2	1	2	9
Number of boxes distributed	4	1	-	1	6
Number of undistributed boxes at year end	-	1	1	1	3
Number of boxes available for sale in the year	4	2	1	2	9
Disbursed proceeds to the charity	2,260	2,490	-	608	5,358
Expenses other than license fees	(1,284)	(1,357)	-	(253)	(2,894)
License fees	(134)	(148)	-	(39)	(321)
Cash as at December 31, 2023	-	14,506	-	-	14,506
Gross Proceeds	842	985	-	316	2,143

The proceeds are included in other donation revenue.

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# John Howard Society of Ontario

## Notes to Financial Statements

December 31, 2023

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### 15. Financial Instruments

#### 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 Society is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Society's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable, and due from affiliates.

The Society does not believe it is subject to any significant concentration of customer credit risk as accounts receivables are generally the result of fees billed to multiple affiliates and grant receivables.

There have not been any changes in the risk from the prior year.

#### Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Society will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Society is exposed to this risk mainly in respect of its accounts payable, due to affiliate and long-term debt.

The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Society maintains a portion of its invested assets in liquid securities.

There have not been any changes in the risk from the prior year.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Society is mainly exposed to interest rate risk and other price risk.

#### 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. The Society is exposed to currency risk through their cash and short-term investments. At year end, cash and short-term investments of \$1,573 (2022 - \$6,710) and \$28,088 (2022 - \$24,534), respectively are denominated in US dollars and converted into Canadian dollars at year-end.

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## John Howard Society of Ontario Notes to Financial Statements

December 31, 2023

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### 15. Financial Instruments (continued)

The Society considers this risk to be acceptable and therefore does not hedge its foreign exchange rate risks.

The risk has not changed from the previous year.

#### 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 Society is exposed to interest rate risk on its fixed financial instruments. Fixed-interest instruments subject the Society to a fair value risk.

The Society holds long-term debt with a fixed interest rate which involves risks of default on interest and principal and price changes due to, without limitation, such factors as interest rates and general economic conditions.

There have not been any changes in the risk from the prior year.

#### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is exposed to other price risk through its investments in equities. The Society manages other price risk through diversification of their investments across industries and geographic locations.

The risk has not changed from the previous year.

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### 16. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year presentation.

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## John Howard Society of Ontario Schedule of Fundraising Revenue

<u>For the year ended December 31</u>	<u>2023</u>	<u>2022</u>
Foundation revenue (Note 6)	\$ 114,597	\$ 51,771
Canada Helps	33,715	49,072
Other donation revenue	<u>28,980</u>	<u>42,524</u>
	<u>\$ 177,292</u>	<u>\$ 143,367</u>

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