

Financial Statements of

**JOHN HOWARD SOCIETY  
OF ONTARIO**  
PROVINCIAL OFFICE

Year ended December 31, 2009



**KPMG LLP**  
**Chartered Accountants**  
Yonge Corporate Centre  
4100 Yonge Street Suite 200  
Toronto ON M2P 2H3  
Canada

Telephone (416) 228-7000  
Fax (416) 228-7123  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## AUDITORS' REPORT

To the Members of John Howard Society of Ontario Provincial Office

We have audited the balance sheet of John Howard Society of Ontario Provincial Office as at December 31, 2009 and the statements of operations - general fund, changes in general fund balances, changes in externally restricted fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Society receives revenue from the general public in the form of fundraising and other contributions, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses, assets and the general fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 26, 2010

# JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE  
(Incorporated under the laws of Ontario)


## Balance Sheet

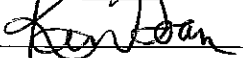
December 31, 2009, with comparative figures for 2008

	2009	2008
<b>Assets</b>		
Current assets:		
Cash	\$ 13,119	\$ 30,575
Short-term investments (note 6)	931,299	700,251
Accounts and grants receivable	119,529	100,037
Due from affiliates	76,542	145,492
Prepaid expenses	2,000	2,000
Deposit - property purchase (note 4)	100,000	—
	<u>1,242,489</u>	<u>978,355</u>
Capital assets (note 5)	4,383	6,295
Investments (note 6)	439,208	709,051
	<u>\$ 1,686,080</u>	<u>\$ 1,693,701</u>
<b>Liabilities and Fund Balances</b>		
Current liabilities:		
Bank overdraft (note 7)	\$ 94,714	\$ 156,290
Branch benefit deposits held	127,383	127,383
Accounts payable and accrued charges	17,177	50,199
	<u>239,274</u>	<u>333,872</u>
Deferred income	21,202	—
Fund balances:		
General	1,351,395	1,283,898
Externally restricted	74,209	75,931
	<u>1,425,604</u>	<u>1,359,829</u>
Lease commitments (note 13)		
Subsequent event (note 4)		
	<u>\$ 1,686,080</u>	<u>\$ 1,693,701</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Statement of Operations - General Fund

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
		(Restated - note 3)
Revenue:		
Ministry of Solicitor General grant	\$ 122,234	\$ 122,234
HRDC grant	3,703	-
Regional Municipality of York	13,048	-
	138,985	122,234
Fundraising	197,919	252,623
Affiliate contributions	426,542	403,144
Investment	31,867	59,484
Cost recovery (note 10)	45,861	76,647
Miscellaneous (note 8)	125,502	116,425
	966,676	1,030,557
Expenses:		
Salaries and benefits	468,817	452,944
Transportation services (note 9)	39,228	147,051
Institutional services	53,001	53,000
Fundraising	81,476	95,018
Building occupancy	58,771	61,797
Office and postage	44,206	57,430
Travel and meetings (note 10)	129,605	142,968
Professional fees	61,302	65,682
Branch allocation of Break-Open Fund	8,836	15,298
Subscriptions and publications	815	2,100
Skills development	1,647	3,569
York Region start-up costs	6,102	-
	953,806	1,096,857
Excess (deficiency) of revenue over expenses before the undernoted	12,870	(66,300)
Unrealized gain (loss) on investments	55,273	(100,140)
Amortization of capital assets	(4,646)	(4,952)
Excess (deficiency) of revenue over expenses	\$ 63,497	\$ (171,392)

See accompanying notes to financial statements.

# JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

## Statement of Changes in General Fund Balances

Year ended December 31, 2009, with comparative figures for 2008

	2009					2008	
	General Draper Reserve Invested in capital assets	Benefaction Fund	Internally restricted funds		Total	Total	Total
			L.W. Skey Fund	Stabilization Fund	Trillium Fund		
Fund balances, beginning of year	\$ (143,247)	\$ 6,295	\$ 900,048	\$ 20,802	\$ 500,000	\$ 1,283,898	\$ 1,455,290
Excess (deficiency) of revenue over expenses	67,519	(4,646)	-	624	-	63,497	(171,392)
Purchase of capital assets	(2,734)	2,734	-	-	-	-	-
Interfund transfer	4,000	-	-	-	-	4,000	-
<b>Fund balances, end of year</b>	<b>\$ (74,462)</b>	<b>\$ 4,383</b>	<b>\$ 900,048</b>	<b>\$ 21,426</b>	<b>\$ 500,000</b>	<b>\$ 1,351,395</b>	<b>\$ 1,283,898</b>

See accompanying notes to financial statements.

# JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

## Statement of Changes in Externally Restricted Fund Balances

Year ended December 31, 2009, with comparative figures for 2008

			2009	2008
	A.M. Kirkpatrick Award Fund	JHS Ontario/ MacFarlane Scholarship Fund	Total	Total
Fund balances, beginning of year	\$ 52,190	\$ 23,741	\$ 75,931	\$ 73,719
Interest income	1,566	712	2,278	2,212
Interfund transfer	–	(4,000)	(4,000)	–
Fund balances, end of year	\$ 53,756	\$ 20,453	\$ 74,209	\$ 75,931

See accompanying notes to financial statements.

# JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

## Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses - general fund	\$ 63,497	\$ (171,392)
Interest - other funds	2,278	2,212
	65,775	(169,180)
Items not involving cash:		
Unrealized loss (gain) on investments	(55,273)	100,140
Amortization of capital assets	4,646	4,952
Change in non-cash operating working capital	(31,312)	(35,283)
	(16,164)	(99,371)
Financing activities:		
Bank overdraft	(61,576)	93,077
Investing activities:		
Purchase of capital assets	(2,734)	(3,991)
Deposit - property purchase	(100,000)	-
Due from affiliates	68,950	(118,288)
Sale (purchase) of investments	94,068	(269,940)
	60,284	(392,219)
Decrease in cash	(17,456)	(398,513)
Cash, beginning of year	30,575	429,088
Cash, end of year	\$ 13,119	\$ 30,575

See accompanying notes to financial statements.

# JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Notes to Financial Statements

Year ended December 31, 2009

---

## 1. Purpose of the Society:

The John Howard Society of Ontario (the "Society") and its 18 affiliates and one branch provide direct services to individuals, families and groups at all stages in the youth and criminal justice system from prevention education in public schools to post-institutional counselling for persons released from prison.

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

The Society, through its Centre of Research and Program Development, engages in research and program development initiatives to reflect and further the Society's mission.

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

The Society is a registered charity and, while registered, is exempt from income taxes, provided certain disbursement quotas are met.

## 2. Significant accounting policies:

### (a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These financial statements include only the assets, liabilities, revenue and expenses relating to the organization which operates as John Howard Society of Ontario. They do not include the revenue, expenses, assets or liabilities of the individual branches/affiliates of the Society.

At December 31, 2009, the Society has 18 incorporated affiliates: Belleville, Durham, Hamilton-Burlington and area, Kawartha Lakes-Haliburton, Kingston, London, Niagara, Ottawa, Peel-Halton-Dufferin, Peterborough, Sarnia-Lambton, Sault Ste. Marie, Simcoe-Muskoka, Sudbury, Thunder Bay, Toronto, Waterloo-Wellington and Windsor-Essex. Separate financial statements are prepared for each of the branches/affiliates.



# JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Year ended December 31, 2009

---

## 2. Significant accounting policies (continued):

### (b) Description of funds:

The financial statements have been classified into two main funds, the general fund and externally restricted funds, which reflect the various activities, projects and fundraising initiatives undertaken by the Society.

The general fund includes the General Draper Reserve (which encompasses operations, the Break-Open Fund, the Bingo Fund and invested in capital assets), the L.W. Skey Fund, the Trillium Stabilization Fund and the Benefaction Fund.

The L.W. Skey Fund reflects the funds raised to offset specific future accommodation costs, as approved by the Board of Directors.

The Trillium Stabilization Fund is designated for capital expenditures by the Society. The interest earned is used to finance ongoing operations.

The externally restricted funds include the A.M. Kirkpatrick Award Fund and the JHS Ontario/MacFarlane Scholarship Fund.

The A.M. Kirkpatrick Award Fund was established to honour the work of A.M. Kirkpatrick and to provide recognition and incentive to men and women prisoners who take advantage of educational opportunities.

The JHS Ontario/MacFarlane Scholarship Fund was established in 1986 through an appropriation from general fund operations. Earnings generated from the fund are used to provide the first year's tuition for a student undertaking any Master of Social Work program.

### (c) Capital assets:

Capital assets are carried at their net book value and are amortized on the straight-line basis over their estimated useful lives as follows:

---

Furniture and equipment	5 years
Computer hardware	3 years

---

# JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Year ended December 31, 2009

---

## 2. Significant accounting policies (continued):

### (d) Short-term investments:

Short-term investments are recorded at market value.

### (e) Investments:

Investments are classified as held-for-trading and are carried at market value.

### (f) Revenue recognition:

The Society follows the restricted fund method of reporting contributions.

Restricted contributions related to general operations are recognized as revenue of the general fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions and bequests are recognized in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned on other fund balances is recognized as revenue of the other funds. Other investment income is recognized as revenue of the general fund when earned.

Pledges are recognized as revenue of the general fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### (g) 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

# JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Year ended December 31, 2009

---

### 3. Change in accounting policies:

#### (a) Amendments to Accounting Standards that Apply Only to Not-for-Profit Organizations:

Effective January 1, 2009, the Society adopted The Canadian Institute of Chartered Accountants' ("CICA") amendments to the 4400 Sections of the CICA Handbook. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flows. Adoption of these recommendations has restated the 2008 comparative figures and increased revenue and expenses by \$69,367.

#### (b) Amendments to Section 1000, Financial Statement Concepts ("Section 1000"):

Effective January 1, 2009, the Society adopted the amendments to Section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended December 31, 2009.

### 4. Deposit - property purchase:

The Society, in partnership with the John Howard Society of Toronto, entered into a conditional Agreement of Purchase and Sale on August 6, 2009 to purchase property in the City of Toronto. A \$100,000 deposit from the Society's investments was paid to Colliers Maccaulay Nicolls (Ontario) Inc. in trust. Subsequent to year end, this agreement was terminated and the deposit is receivable.

### 5. Capital assets:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 27,239	\$ 27,130	\$ 109	\$ 328
Computer hardware	105,834	101,560	4,274	5,967
	\$ 133,073	\$ 128,690	\$ 4,383	\$ 6,295

# JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Year ended December 31, 2009

## 6. Investments:

The Society has investments in bonds and other government secured certificates with varying dates of maturity, ranging from October 15, 2010 to January 1, 2019, including index-linked notes, as well as investments in equity instruments. These investments yield interest at rates ranging from 1.65% to 4.25% (2008 - 3.00% to 4.25%) per annum. The investments comprise the following:

	2009	2008
Short-term:		
Treasury bills	\$ -	\$ 342,736
Fixed income	327,316	170,733
Mutual funds and segregated funds	603,983	186,782
	<u>\$ 931,299</u>	<u>\$ 700,251</u>
Long-term:		
Fixed income	\$ 160,119	\$ 477,840
Equities	186,429	149,953
Mutual funds and segregated funds	92,660	81,258
	<u>\$ 439,208</u>	<u>\$ 709,051</u>

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

The value of equities, included in marketable securities, changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within specific governments and corporations which issue the securities.

The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. Changes in interest rates may also affect the value of equity securities.

The Society does not enter into any derivative instrument arrangements for hedging or speculative purposes.

# JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Year ended December 31, 2009

---

## 7. Line of credit:

The Society has a line of credit with a chartered bank for \$250,000, of which \$85,580 has been drawn at December 31, 2009 (2008 - \$148,941).

## 8. Miscellaneous income:

	2009	2008
Other	\$ 29,602	\$ 16,036
Pension plan administration cost recovery	95,900	100,389
	<u>\$ 125,502</u>	<u>\$ 116,425</u>

## 9. Transportation services:

The Society has committed to subsidize the transportation program until March 31, 2009. Ongoing subsidies may be provided based on need.

	2009	2008
Subsidy	\$ 39,228	\$ 147,051

## 10. Travel and meetings expenses:

Included in travel and meetings expenses are \$47,303 (2008 - \$36,144) worth of costs for accommodation, travel and food which have been recovered from the affiliates.

## 11. Pension plan:

The Society has one pension plan with defined benefit plan and defined contribution plan components. The majority of the employees are in the defined contribution plan, which is funded directly by the affiliate and branch offices for their qualifying employees. The employees are not required to contribute to the pension plan. The defined benefit plan is funded by the affiliate and branch offices for their qualifying employees through the Society. The Society follows defined contribution accounting for its portion of both plan components. The employer portion of pension contribution for the year was \$24,776 (2008 - \$23,413).

# JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Year ended December 31, 2009

## 12. Break-open ticket lotteries:

The Society was licensed by the Alcohol and Gaming Commission of the Province of Ontario (P061076, P061077, P070487 and P070488) to engage in break-open ticket lotteries during the year. The following is a summary of the financial details related to the lotteries:

	BN 1	BN 14	Total
Number of boxes undistributed as at January 1, 2009	20	–	20
Number of boxes ordered	103	3	106
<b>Number of boxes available for sale</b>	<b>123</b>	<b>3</b>	<b>126</b>
Number of boxes distributed	100	2	102
Number of undistributed boxes at year end	23	1	24
<b>Number of boxes available for sale in the year</b>	<b>123</b>	<b>3</b>	<b>126</b>

	BN 1	BN 14	Total
Disbursed proceeds to the charity	\$ 48,538	\$ 8,907	\$ 57,445
Expenses other than license fees	24,278	4,378	28,656
License fees	3,445	444	3,889
Cash as at December 31, 2009	2,196	2,196	4,392
Gross proceeds	152,880	29,680	182,560

## 13. Lease commitments:

The Society leases its current premises under an operating lease, which expires November 30, 2013. The Society also leases office equipment with an expiry date in fiscal 2011. The annual payments are approximately as follows:

2010	\$ 27,600
2011	24,100
2012	20,600
2013	18,900
	<b>\$ 91,200</b>