

Financial Statements of

**JOHN HOWARD SOCIETY
OF ONTARIO**
PROVINCIAL OFFICE

Years ended December 31, 2011 and 2010



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INDEPENDENT AUDITORS' REPORT

To the Members of John Howard Society of
Ontario Provincial Office

We have audited the accompanying financial statements of John Howard Society of Ontario Provincial Office, which comprise the balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010, the statements of operations - general fund, changes in general fund balances, changes in externally restricted fund balances and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.



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Basis for Qualified Opinion

In common with many charitable organizations, John Howard Society of Ontario Provincial Office derives revenue from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of John Howard Society of Ontario Provincial Office. Therefore, we were not able to determine whether, as at December 31, 2011, December 31, 2010, and January 1, 2010 and for the years ended December 31, 2011 and 2010, any adjustments might be necessary to fundraising revenue, excess (deficiency) of revenue over expenses reported in the statements of operations - general fund, excess (deficiency) of revenue over expenses reported in the statements of cash flows and current assets and fund balances reported in the balance sheets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of John Howard Society of Ontario Provincial Office as at December 31, 2011, December 31, 2010 and January 1, 2010, and its results of operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

March 24, 2012
Toronto, Canada

JOHN HOWARD SOCIETY OF ONTARIO


PROVINCIAL OFFICE
(Incorporated under the laws of Ontario)

Balance Sheets

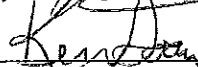
	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash	\$ 163,092	\$ 353,003	\$ 13,119
Short-term investments (note 4)	944,289	751,163	931,299
Accounts receivable	173,579	143,499	119,529
Due from affiliates (note 2)	45,499	65,716	76,542
Prepaid expenses	—	2,000	2,000
Deposit - property purchase	—	—	100,000
	<u>1,326,459</u>	<u>1,315,381</u>	<u>1,242,489</u>
Capital assets (note 3)	5,011	4,302	4,383
Due from affiliates (note 2)	46,000	51,500	—
Investments (note 4)	307,581	313,356	439,208
	<u>\$ 1,685,051</u>	<u>\$ 1,684,539</u>	<u>\$ 1,686,080</u>
Liabilities and Fund Balances			
Current liabilities:			
Bank overdraft (note 6)	\$ 98,806	\$ 88,948	\$ 94,714
Branch benefit deposits held	127,383	127,383	127,383
Accounts payable and accrued charges (note 5)	35,589	64,297	17,177
	<u>261,778</u>	<u>280,628</u>	<u>239,274</u>
Deferred income	—	—	21,202
Fund balances:			
General	1,347,605	1,329,476	1,351,395
Externally restricted	75,668	74,435	74,209
	<u>1,423,273</u>	<u>1,403,911</u>	<u>1,425,604</u>
Lease commitments (note 11)			
	<u>\$ 1,685,051</u>	<u>\$ 1,684,539</u>	<u>\$ 1,686,080</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Statements of Operations - General Fund

Years ended December 31, 2011 and 2010

	2011	2010
Revenue:		
Ministry of Solicitor General grant	\$ 121,945	\$ 122,234
HRDC grant	2,080	–
Regional Municipality of York	–	37,394
	<u>124,025</u>	<u>159,628</u>
Fundraising	177,356	176,547
Affiliate contributions	404,775	428,050
Investment	25,203	34,023
Cost recovery (note 8)	46,852	52,305
Miscellaneous (note 7)	187,119	147,355
Conference	96,959	–
	<u>1,062,289</u>	<u>997,908</u>
Expenses:		
Salaries and benefits	544,315	543,429
Transportation services	7,940	15,000
Institutional services	52,634	53,495
Fundraising	68,570	72,094
Building occupancy	58,267	55,694
Office and postage	43,137	61,652
Travel and meetings (note 8)	117,901	146,208
Conference	81,966	–
Professional fees	33,335	55,445
Branch allocation of Break-Open Fund	11,614	8,963
Subscriptions and publications	1,038	362
Skills development	2,664	1,601
York Region start-up costs	–	15,342
	<u>1,023,381</u>	<u>1,029,285</u>
Excess (deficiency) of revenue over expenses before the undernoted	38,908	(31,377)
Unrealized gain (loss) on investments	(17,656)	12,263
Amortization of capital assets	(3,123)	(2,805)
Excess (deficiency) of revenue over expenses	\$ 18,129	\$ (21,919)

See accompanying notes to financial statements.

JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Statements of Changes in General Fund Balances

Years ended December 31, 2011 and 2010

	General Draper Reserve		Internally restricted funds			Total
	Operations	Invested in capital assets	Benefaction Fund	L.W. Skey Fund	Trillium Stabilization Fund	
Fund balances, January 1, 2010	\$ (74,462)	\$ 4,383	\$ 900,048	\$ 21,426	\$ 500,000	\$ 1,351,395
Excess (deficiency) of revenue over expenses	(19,757)	(2,805)	–	643	–	(21,919)
Purchase of capital assets	(2,724)	2,724	–	–	–	–
Fund balances, December 31, 2010	(96,943)	4,302	900,048	22,069	500,000	1,329,476
Excess (deficiency) of revenue over expenses	20,590	(3,123)	–	662	–	18,129
Purchase of capital assets	(3,832)	3,832	–	–	–	–
Fund balances, December 31, 2011	\$ (80,185)	\$ 5,011	\$ 900,048	\$ 22,731	\$ 500,000	\$ 1,347,605

See accompanying notes to financial statements.

JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Statements of Changes in Externally Restricted Fund Balances

Years ended December 31, 2011 and 2010

	A.M. Kirkpatrick Award Fund	JHS Ontario/ MacFarlane Scholarship Fund	Total
Fund balances, January 1, 2010	\$ 53,756	\$ 20,453	\$ 74,209
Interest income	1,613	613	2,226
Scholarships	–	(2,000)	(2,000)
Fund balances, December 31, 2010	55,369	19,066	74,435
Interest income	1,661	572	2,233
Scholarships	–	(1,000)	(1,000)
Fund balances, December 31, 2011	\$ 57,030	\$ 18,638	\$ 75,668

See accompanying notes to financial statements.

JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Statements of Cash Flows

Years ended December 31, 2011 and 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses - general fund	\$ 18,129	\$ (21,919)
Other funds:		
Interest	2,233	2,226
Scholarships	(1,000)	(2,000)
	19,362	(21,693)
Items not involving cash:		
Unrealized loss (gain) on investments	17,656	(12,263)
Amortization of capital assets	3,123	2,805
Change in non-cash operating working capital	(56,788)	1,948
	(16,647)	(29,203)
Financing activities:		
Bank overdraft	9,858	(5,766)
Investing activities:		
Purchase of capital assets	(3,832)	(2,724)
Deposit - property purchase	-	100,000
Due from affiliates	25,717	(40,674)
Sale (purchase) of investments	(205,007)	318,251
	(183,122)	374,853
Increase (decrease) in cash	(189,911)	339,884
Cash, beginning of year	353,003	13,119
Cash, end of year	\$ 163,092	\$ 353,003

See accompanying notes to financial statements.

JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Notes to Financial Statements

Years ended December 31, 2011 and 2010

The John Howard Society of Ontario (the "Society") and its 19 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.

On January 1, 2011, the Society adopted the Canadian accounting standards for not-for-profit organizations. These are the first financial statements prepared in accordance with these standards.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations. 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, 2011, the Society has 19 incorporated affiliates: Belleville, Durham, Hamilton-Burlington and area, Kawartha Lakes-Haliburton, Kingston, London, Niagara, Ottawa, Peel-Halton-Dufferin, Peterborough, Sarnia-Lambton, Sault Ste. Marie, Simcoe/Muskoka, Sudbury, Thunder Bay, Toronto, Waterloo-Wellington, Windsor-Essex and York Region. Separate financial statements are prepared for each of the branches/affiliates.

JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

1. 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 a 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)

Years ended December 31, 2011 and 2010

1. Significant accounting policies (continued):

(d) Short-term investments:

Short-term investments are recorded at market value.

(e) Investments:

Investments 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)

Years ended December 31, 2011 and 2010

1. Significant accounting policies (continued):

(h) Transitional adjustments:

There were no adjustments to fund balances as at January 1, 2010 or excess of revenue over expenses for the year ended December 31, 2010 as a result of the transition to the Canadian accounting standards for not-for-profit organizations.

2. Due from affiliates:

Included in the long-term balance of due from affiliates are advances made to JHS Simcoe/Muskoka and JHS of York Region.

In 2010, an advance of \$48,000 was provided to JHS Simcoe/Muskoka, repayable in monthly instalments of \$500. At December 31, 2011, \$36,000 is included in the long-term due from affiliates balance and \$6,000 is included in the current balance.

In prior year, an advance of \$10,000 was made to JHS of York Region and is due prior to or on March 31, 2015. The advance is non-interest bearing and is included in the long-term due from affiliates balance.

Both of the advances are unsecured and non-interest bearing.

3. Capital assets:

December 31, 2011	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 27,239	\$ 27,239	\$ -
Computer hardware	112,390	107,379	5,011
	\$ 139,629	\$ 134,618	\$ 5,011

December 31, 2010	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 27,239	\$ 27,239	\$ -
Computer hardware	108,557	104,255	4,302
	\$ 135,796	\$ 131,494	\$ 4,302

JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

3. Capital assets (continued):

January 1, 2010	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 27,239	\$ 27,130	\$ 109
Computer hardware	105,834	101,560	4,274
	\$ 133,073	\$ 128,690	\$ 4,383

4. Investments:

Included in short-term fixed income investments are Government of Canada treasury bills with a maturity date of January 19, 2012. These investments yield interest at 1.2% to 1.4% (2010 - 1.65% to 4.05%) per annum. The investments comprise the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Short-term:			
Fixed income	\$ 845,192	\$ 143,148	\$ 327,316
Mutual funds and segregated funds	99,097	608,015	603,983
	\$ 944,289	\$ 751,163	\$ 931,299

	December 31, 2011	December 31, 2010	January 1, 2010
Long-term:			
Fixed income	\$ -	\$ 13,000	\$ 160,119
Equities	231,633	202,484	186,429
Mutual funds and segregated funds	75,948	97,872	92,660
	\$ 307,581	\$ 313,356	\$ 439,208

JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

4. Investments (continued):

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.

5. Accounts payable and accrued charges:

Included in accounts payable and accrued charges are government remittances payable of \$457 (December 31, 2010 - \$386).

6. Bank overdraft:

The Society has a line of credit with a chartered bank for \$250,000, of which nil has been drawn at December 31, 2011 (December 31, 2010 - \$78,341; January 1, 2010 - \$85,580).

7. Miscellaneous income:

	2011	2010
Other	\$ 30,416	\$ 43,461
Pension plan administration cost recovery	108,853	103,894
Research	47,850	-
	<hr/>	<hr/>
	\$ 187,119	\$ 147,355

JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

8. Travel and meetings expenses:

Included in travel and meetings expenses are \$46,852 (2010 - \$52,305) worth of costs for accommodation, travel and food which have been recovered from the affiliates and pension committee.

9. Pension plan:

The Society has one pension plan with defined benefit plan and defined contribution components. The majority of the employees are in the defined contribution component, 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 component 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 components. The employer portion of the pension contribution for the year was \$30,309 (2010 - \$29,146).

10. 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, 2011	15	1	16
Number of boxes ordered	49	14	63
Number of boxes available for sale	64	15	79
Number of boxes distributed	53	12	65
Number of undistributed boxes at year end	11	3	14
Number of boxes available for sale	64	15	79

JOHN HOWARD SOCIETY OF ONTARIO

PROVINCIAL OFFICE

Notes to Financial Statements (continued)

Years ended December 31, 2011 and 2010

10. Break-open ticket lotteries (continued):

	BN 1	BN 14	Total
Disbursed proceeds to the charity	\$ 23,864	\$ 23,947	\$ 47,811
Expenses other than license fees	14,387	14,105	28,492
License fees	5,284	7,003	12,287
Cash as at December 31, 2011	14,945	–	14,945
Gross proceeds	88,458	89,040	177,498

11. 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:

2012	\$ 24,150
2013	18,854
	\$ 43,004

12. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2011.