

**John Howard Society of Ottawa**  
**Financial Statements**  
**March 31, 2008**

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## Auditors' Report

To the Members of the  
John Howard Society of Ottawa

We have audited the statement of financial position of the John Howard Society of Ottawa as at March 31, 2008 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act of Ontario, we report that, in our opinion, these principles have been applied, except for the changes as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Chartered Accountants,  
Licensed Public Accountants

Ottawa, Canada  
May 20, 2008

# John Howard Society of Ottawa

## Financial Position

March 31, 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	449,971	
Term deposits (Note 4)	85,000	140,979
Amounts receivable	279,587	286,793
Prepaid expenses and deposits	46,685	29,931
	<u>861,243</u>	457,703
Capital assets (Note 5)	4,326,252	4,576,999
	<u>5,187,495</u>	<u>5,034,702</u>
<b>LIABILITIES</b>		
Current liabilities		
Bank indebtedness (Note 6)		102,584
Accounts payable and accrued liabilities	333,736	217,062
Deferred contributions		
Capital assets	130,489	130,489
Operations	327,983	230,194
Instalments on long-term debt	58,350	58,417
	<u>850,558</u>	738,746
Deferred contributions - capital assets (Note 7)	1,973,288	2,103,777
Long-term debt (Note 8)	1,078,362	1,135,909
	<u>3,902,208</u>	<u>3,978,432</u>
<b>NET ASSETS</b>		
Invested in capital assets	1,085,763	1,148,407
Replacement reserve fund	66,300	
Contingency fund	110,000	
Unrestricted	23,224	(92,137)
	<u>1,285,287</u>	1,056,270
	<u>5,187,495</u>	<u>5,034,702</u>

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

On behalf of the Board,

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# John Howard Society of Ottawa Operations

Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
Revenues (Schedule)		
Federal funding	1,114,180	1,060,063
Provincial funding	2,971,720	2,609,906
United Way of Ottawa-Carleton	144,189	181,382
Fundraising, donations, memberships	6,488	25,917
Other revenue	518,075	387,682
Amortization of deferred contributions related to capital assets	<u>130,489</u>	<u>129,489</u>
	<u>4,885,141</u>	<u>4,394,439</u>
Expenses (Schedule)		
Salaries and employee benefits	3,062,550	2,557,787
Operating	1,207,492	1,331,479
Administration	61,538	73,823
Interest on long-term debt	73,797	59,942
Amortization of capital assets	<u>250,747</u>	<u>240,986</u>
	<u>4,656,124</u>	<u>4,264,017</u>
<b>Excess of revenues over expenses</b>	<u><b>229,017</b></u>	<u><b>130,422</b></u>

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

# John Howard Society of Ottawa

## Changes in Net Assets

Year ended March 31, 2008

	2008				2007	
	Invested in capital assets	Replacement reserve fund (Note 3)	Contingency fund (Note 3)	Unrestricted	Total	
	\$	\$	\$	\$	\$	
Balance, beginning of year	1,148,407			(92,137)	1,056,270	925,848
Excess (deficiency) of revenues over expenses	(194,055)			423,072	229,017	130,422
Instalments on long-term debt	131,411			(131,411)		
Internal fund transfers		66,300	110,000	(176,300)		
Balance, end of year	<u>1,085,763</u>	<u>66,300</u>	<u>110,000</u>	<u>23,224</u>	<u>1,285,287</u>	<u>1,056,270</u>

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

# John Howard Society of Ottawa

## Cash Flows

Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	229,017	130,422
Non-cash items		
Amortization of capital assets	250,747	240,986
Amortization of deferred contributions - capital assets	(130,489)	(129,489)
Changes in working capital items		
Amounts receivable	7,206	89,608
Prepaid expenses and deposits	(16,754)	(1,741)
Accounts payable and accrued liabilities	116,674	(300,190)
Deferred contributions - operations	97,789	197,454
Cash flows from operating activities	<u>554,190</u>	<u>227,050</u>
<b>INVESTING ACTIVITIES</b>		
Increase in term deposits		(2,764)
Term deposit maturities	55,979	
Purchase of capital assets		(295,440)
Cash flows from investing activities	<u>55,979</u>	<u>(298,204)</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt		275,000
Repayment of long-term debt	(57,614)	(62,537)
Deferred contributions related to capital assets		30,000
Cash flows from financing activities	<u>(57,614)</u>	<u>242,463</u>
<b>Net increase in cash</b>	<b>552,555</b>	<b>171,309</b>
Cash (bank indebtedness), beginning of year	<u>(102,584)</u>	<u>(273,893)</u>
Cash (bank indebtedness), end of year	<u>449,971</u>	<u>(102,584)</u>

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

# John Howard Society of Ottawa

## Notes to Financial Statements

March 31, 2008

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### **1 - GOVERNING STATUTES AND NATURE OF OPERATIONS**

The John Howard Society of Ottawa (the Society), formally incorporated in April 1995 without share capital, under the Laws of Ontario, generally works through service, community education, advocacy and reform: (i) to assist those at conflict with the law; (ii) to study and promote study of causes of crime and prevention, and (iii) to develop and improve community understanding of offenders, crime, and of the criminal justice system, resulting in prevention, and in assisting offenders in becoming productive members of society. The Society is a registered charity under the Income Tax Act.

### **2 - ACCOUNTING CHANGES**

On April 1, 2007, in accordance with the applicable transitional provisions, the Society applied the recommendations of new Section 1506, "Accounting Changes", of the Canadian Institute of Chartered Accountants' Handbook. This new section, effective for the years beginning on or after January 1, 2007, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Society. The new standard has no impact on the Society's financial results.

On April 1, 2007, in accordance with the applicable transitional provisions, the Society adopted the new recommendations in Sections 3855, "Financial Instruments – Recognition and Measurement", and 3861, "Financial Instruments – Disclosure and Presentation" of the *Canadian Institute of Chartered Accountants' Handbook*.

Sections 3855 and 3861 deal with the recognition, measurement, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements. The transitional provisions of these sections require that the Society remeasure the financial assets and liabilities as appropriate at the beginning of its fiscal year. Any adjustment of the previous carrying amount is recognized as an adjustment of the balance of at the beginning of the fiscal year of initial application or as an adjustment of the opening balance of a separate component of accumulated other comprehensive income, as appropriate. The financial statements of prior fiscal years are not restated.

Adoption of these new recommendations resulted in the following impacts on the classification and measurement of the Society's financial instruments, which were previously recognized at cost:

- Cash and bank indebtedness is classified as a held-for-trading financial asset. It is measured at fair value and changes in fair value are recognized in net earnings. This change had no impact on the financial statements as at March 31, 2008;
- Amounts receivable is classified as loans and receivables. Amounts receivable is measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. This change had no impact on the financial statements as at March 31, 2008;

# John Howard Society of Ottawa

## Notes to Financial Statements

March 31, 2008

### 2 - ACCOUNTING CHANGES (Continued)

- The term deposit is classified as an available-for-sale investment. It is recognized at amortized cost using the effective interest method, including any impairment. This change had no impact on the financial statements as at March 31, 2008;
- Accounts payable and accrued liabilities are classified as other financial liabilities. They are measured at amortized cost using the effective interest method. This change had no impact on the financial statements as at March 31, 2008;
- Long-term debt is classified as other financial liabilities. It is measured at amortized cost using the effective interest method. This change had no impact on the financial statements as at March 31, 2008.

### 3 - ACCOUNTING POLICIES

#### Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Society may undertake in the future. Actual results may differ from these estimates.

#### Investments

Term deposits are classified as available-for-sale investments and are recorded at amortized cost. Interest income is recognized as earned.

#### Amortization

Capital assets are amortized over their estimated useful lives according to the straight-line method over the following periods:

	<u>Periods</u>
Buildings	20 years
Leasehold improvements	20 years
Office equipment and computers	2 years

#### Revenue recognition

The Society follows the deferral method of accounting for contributions. Under this method, contributions restricted for future periods are deferred, and are reported as revenue in the year in which related expenses are incurred. Unrestricted contributions are reported as revenue when received or receivable, if the amount to be received can be reasonably estimated, and collection is reasonably assured.

# John Howard Society of Ottawa

## Notes to Financial Statements

March 31, 2008

### 3 - ACCOUNTING POLICIES (Continued)

#### Replacement Reserve Fund

The Society has established this fund for the financing of future major repairs and replacements required to the buildings owned by the Society. During the year, the Board authorized the transfer of \$66,300 to the Replacement Reserve Fund.

#### Contingency Fund

The Society has established this fund for the financing of unforeseen circumstances including human resource needs and system requirements. During the year, the Board authorized the transfer of \$110,000 to the Contingency Fund.

#### Contributions related to capital assets

Capital grants received by the Society are deferred and amortized at the rate corresponding to the amortization rate for the related capital asset.

#### Programs

Programs administered by the Society are funded by the Governments of Canada and the Province of Ontario. These advances are subject to periodic audit. Any adjustment arising from such audits will be recorded in the year such audits are completed.

#### Donated services

The work of the John Howard Society of Ottawa is assisted by the contribution of time by volunteers, the value of which is not recognized in these financial statements.

### 4 - TERM DEPOSITS

The term deposit has an interest rate of 3.3% (2.9% 2007 deposits) and matures in December 2008.

### 5 - CAPITAL ASSETS

	<b>2008</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	\$	\$	\$
Land	518,415		518,415
Buildings	4,575,449	1,069,590	3,505,859
Leasehold improvements	439,483	137,505	301,978
Office equipment and computers	266,877	266,877	
	<u>5,800,224</u>	<u>1,473,972</u>	<u>4,326,252</u>

# John Howard Society of Ottawa

## Notes to Financial Statements

March 31, 2008

### 5 - CAPITAL ASSETS (Continued)

			2007
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	518,415		518,415
Buildings	4,575,449	840,817	3,734,632
Leasehold improvements	439,483	115,531	323,952
Office equipment and computers	<u>266,877</u>	<u>266,877</u>	
	<u>5,800,224</u>	<u>1,223,225</u>	<u>4,576,999</u>

### 6 - BANK INDEBTEDNESS

The Society has arranged a bank line of credit to \$225,000 of which \$nil (\$25,499 in 2007) was used at year end, at prime rate plus 1.5%, secured by a general security agreement and an \$85,000 term deposit.

The remaining net balance shown in bank indebtedness of \$nil (\$77,085 in 2007) represents cheques issued but not presented for clearance to the Society's bankers.

### 7 - DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets include the unamortized balance of capital asset contributions received. These deferred contributions comprise:

	2008	2007
	\$	\$
Capital assets		
Buildings - opening balance	1,905,356	1,981,501
Additions		30,000
Amortization	<u>(108,646)</u>	<u>(106,145)</u>
Buildings - ending balance	<u>1,796,710</u>	<u>1,905,356</u>
Leasehold improvements - opening balance	328,910	352,254
Amortization	<u>(21,843)</u>	<u>(23,344)</u>
Leasehold improvements - ending balance	<u>307,067</u>	<u>328,910</u>
	<u>2,103,777</u>	<u>2,234,266</u>
Less: current portion	<u>130,489</u>	<u>130,489</u>
	<u>1,973,288</u>	<u>2,103,777</u>

Certain contributions related to buildings contain restrictions in respect of long-term future program delivery.

# John Howard Society of Ottawa

## Notes to Financial Statements

March 31, 2008

### 8 - LONG-TERM DEBT

	Current portion \$	2008 \$	2007 \$
6.25% mortgage loan, maturing on May 29, 2013, payable in monthly instalments of \$2,133 including interest, secured by land and building having an amortized cost of \$1,147,030 in 2008	12,324	200,061	214,458
6.05% mortgage loan, renewable on December 1, 2008, payable in monthly instalments of \$3,634 including interest, secured by term deposits of \$85,000 and land and building having an amortized cost of \$434,027 in 2008	24,919	313,333	333,333
10% mortgage loan, maturing on March 1, 2014, payable in monthly instalments of \$884 including interest, secured by land and building having an amortized cost of \$41,016 in 2008	5,938	48,358	54,748
6.2% mortgage loan, maturing on January 21, 2010, payable in monthly instalments of \$2,118 including interest, secured by land and building having an amortized cost of \$1,779,911 in 2008	6,419	384,471	393,102
6.65% mortgage loan, maturing on July 31, 2012, payable in monthly instalments of \$1,749 including interest, secured by a building with an amortized cost of \$266,000 in 2008	8,750	190,489	198,685
		<u>1,136,712</u>	1,194,326
Instalments due within one year	58,350	<u>58,350</u>	58,417
		<u>1,078,362</u>	<u>1,135,909</u>

The instalments on long-term debt for the next five years are \$346,764 in 2009, \$408,226 in 2010, \$32,410 in 2011, \$55,429 in 2012, \$28,574 in 2013 and \$265,309 thereafter.

### 9 - RELATED PARTY TRANSACTIONS

The John Howard Society of Ottawa paid the John Howard Society of Ontario a fee of \$8,062 (\$9,220 in 2007) for their administration of the employee benefit package, and for network support.

# John Howard Society of Ottawa

## Notes to Financial Statements

March 31, 2008

### 10 - COMMITMENTS

The Society is committed, under long-term lease contracts with various expiration dates, for the rental of premises and equipment in the aggregate amount of \$105,930. Minimum lease payments for the next five years approximate:

	<u>\$</u>
2009	19,135
2010	15,438
2011	13,754
2012	12,282
2013	8,921
Thereafter	<u>36,400</u>
	<u>105,930</u>

### 11 - FINANCIAL RISKS

#### Financial risk management objectives and policies

The Society is exposed to various financial risks resulting from both operating and investing activities. The Society's management is tasked with the overall management of financial risks.

The Society does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

#### Financial risks

The Society's main financial risk exposure and its financial risk management policies are as follow:

##### *Interest rate risk*

The term deposits and long-term debt bear interest at fixed rates and the Society, is therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

As they do not bear interest, the Society's other financial assets and liabilities are not subject to interest rate risk.

The Society does not use derivative financial instruments to reduce its interest rate risk exposure.

### 12 - SUBSEQUENT EVENT

Subsequent to its year-end, the Society entered into an agreement to purchase property for approximately \$1,270,000. This acquisition is to be funded by contributions in the amount of \$1,050,000 from the City of Ottawa, anticipated mortgage financing of approximately \$175,000, the terms of which are to be negotiated, with the remaining \$45,000 to be internally funded.

# John Howard Society of Ottawa

## Notes to Financial Statements

March 31, 2008

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### **13 - FUTURE ACCOUNTING STANDARDS**

#### **Going Concern – Inclusion of Guidelines in Section 1400, "General Standards of Financial Statement Presentation"**

In June 2007, the Canadian Institute of Chartered Accountants modified Section 1400, "General Standards of Financial Statement Presentation", in order to require that management make an assessment of the Society's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Society will implement them as of April 1, 2008. The new requirements only address disclosures and will have no impact on the the Society's financial results.

#### **Capital Disclosures**

In December 2006, the Canadian Institute of Chartered Accountants published new Section 1535, "Capital Disclosures". The new section establishes standards for disclosing information about an entity's capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2007 and the Society will implement it as of April 1, 2008. The new accounting standard only addresses disclosures and will have no impact on the Society's financial results.

#### **Financial Instrument Disclosures**

In December 2006, the Canadian Institute of Chartered Accountants issued two new accounting standards: Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation". These new sections which replace Section 3861 "Financial Instruments - Disclosure and Presentation", revise and enhance disclosure requirements, carrying forward existing presentation requirements. These place increased emphasis on disclosures concerning the nature and management of risk arising from financial instruments. The Society will implement these sections as of January 1, 2008. The new requirements only address disclosure and will have no impact on the financial results.

# John Howard Society of Ottawa

## Supplementary Information

Year ended March 31, 2008

							2008	2007	
	Youth Justice	Adult Housing	Reintegration	Youth Employment	Bail	Administration	Inter-Program Revenue/ Expenses	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>									
Federal funding		832,979	281,201					1,114,180	1,060,063
Provincial funding	684,064	344,325	261,735	1,312,690	368,906			2,971,720	2,609,906
United Way of Ottawa- Carleton	25,644		118,545					144,189	181,382
Fundraising, donations, memberships		175	2,917	665		2,731		6,488	25,917
Other revenue	268,383	150,047	12,438	108,499		86,708	(108,000)	518,075	387,682
Amortization of deferred contributions related to capital assets	49,990	77,499		1,500		1,500		130,489	129,489
Administration						403,755	(403,755)		
	<b>1,028,081</b>	<b>1,405,025</b>	<b>676,836</b>	<b>1,423,354</b>	<b>368,906</b>	<b>494,694</b>	<b>(511,755)</b>	<b>4,885,141</b>	<b>4,394,439</b>
<b>Expenses</b>									
Salaries and employee benefits	669,713	806,245	529,225	615,994	293,997	147,376		3,062,550	2,557,787
Operating	213,072	241,381	64,191	657,484	29,881	109,483	(108,000)	1,207,492	1,331,479
Administration	47,803	116,906	81,459	100,200	59,339	59,586	(403,755)	61,538	73,823
Interest on long-term debt	23,995	28,042		21,760				73,797	59,942
Amortization of capital assets	73,575	121,634		28,002		27,536		250,747	240,986
	<b>1,028,158</b>	<b>1,314,208</b>	<b>674,875</b>	<b>1,423,440</b>	<b>383,217</b>	<b>343,981</b>	<b>(511,755)</b>	<b>4,656,124</b>	<b>4,264,017</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>(77)</b>	<b>90,817</b>	<b>1,961</b>	<b>(86)</b>	<b>(14,311)</b>	<b>150,713</b>		<b>229,017</b>	<b>130,422</b>