

John Howard Society of Ottawa

Financial Statements March 31, 2009

Auditors' Report	2
Financial Statements	
Financial Position	3
Operations	4
Changes in Net Assets	5
Cash Flows	6
Notes to Financial Statements	7-13
Supplementary Information	14-18



Raymond Chabot Grant Thornton

Auditors' Report

Raymond Chabot Grant Thornton LLP
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To the Members of the
John Howard Society of Ottawa

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We have audited the statement of financial position of the John Howard Society of Ottawa as at March 31, 2009 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, 2009 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.

Raymond Chabot Grant Thornton LLP

Chartered Accountants,
Licensed Public Accountants

Ottawa, Canada
June 30, 2009

John Howard Society of Ottawa

Financial Position

March 31, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
ASSETS		
Current assets		
Cash	373,494	449,971
Amounts receivable	287,743	279,587
Prepaid expenses and deposits	<u>52,316</u>	<u>46,685</u>
	713,553	776,243
Term deposit (Note 4)	87,805	85,000
Capital assets (Note 5)	<u>4,941,891</u>	<u>4,326,252</u>
	<u>5,743,249</u>	<u>5,187,495</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	481,719	333,736
Deferred contributions		
Operations	229,073	327,983
Instalments on long-term debt	<u>430,096</u>	<u>58,350</u>
	1,140,888	720,069
Deferred contributions - capital assets (Note 7)	2,453,287	2,103,777
Long-term debt (Note 8)	<u>821,546</u>	<u>1,078,362</u>
	<u>4,415,721</u>	<u>3,902,208</u>
NET ASSETS (DEFICIENCY)		
Invested in capital assets	1,236,963	1,085,763
Replacement reserve fund	66,300	66,300
Contingency fund	110,000	110,000
Unrestricted	<u>(85,735)</u>	<u>23,224</u>
	<u>1,327,528</u>	<u>1,285,287</u>
	<u>5,743,249</u>	<u>5,187,495</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, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
Revenues (Schedule)		
Federal funding	1,131,221	1,114,180
Provincial funding	3,407,392	2,971,720
United Way of Ottawa	267,955	144,189
Fundraising, donations, memberships	3,672	6,488
Other revenue	462,123	518,075
Amortization of deferred contributions related to capital assets	<u>130,490</u>	<u>130,489</u>
	<u>5,402,853</u>	<u>4,885,141</u>
Expenses (Schedule)		
Salaries and employee benefits	3,543,978	3,062,550
Operating	1,447,905	1,207,492
Administration	40,096	61,538
Interest on long-term debt	73,463	73,797
Amortization of capital assets	<u>255,170</u>	<u>250,747</u>
	<u>5,360,612</u>	<u>4,656,124</u>
Excess of revenues over expenses	<u>42,241</u>	<u>229,017</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, 2009

					2009	2008
	Invested in capital assets	Replacement reserve fund (Note 3)	Contingency fund (Note 3)	Unrestricted	Total	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	1,085,763	66,300	110,000	23,224	1,285,287	1,056,270
Excess (deficiency) of revenues over expenses	(124,680)			166,921	42,241	229,017
Instalments on long-term debt	60,070			(60,070)		
Acquisition of capital assets	870,810			(870,810)		
Deferred contributions related to capital assets	(480,000)			480,000		
Additions to long-term debt	(175,000)			175,000		
Balance (deficiency), end of year	<u>1,236,963</u>	<u>66,300</u>	<u>110,000</u>	<u>(85,735)</u>	<u>1,327,528</u>	<u>1,285,287</u>

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

John Howard Society of Ottawa

Cash Flows

Year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	42,241	229,017
Non-cash items		
Amortization of capital assets	255,170	250,747
Amortization of deferred contributions - capital assets	(130,490)	(130,489)
Changes in working capital items		
Amounts receivable	(8,156)	7,206
Prepaid expenses and deposits	(5,631)	(16,754)
Accounts payable and accrued liabilities	147,983	116,674
Deferred contributions - operations	(98,910)	97,789
Cash flows from operating activities	<u>202,207</u>	<u>554,190</u>
INVESTING ACTIVITIES		
Acquisition of term deposits	(87,805)	
Term deposit maturities	85,000	55,979
Acquisition of capital assets	(870,809)	
Cash flows from investing activities	<u>(873,614)</u>	<u>55,979</u>
FINANCING ACTIVITIES		
Increase in long-term debt	175,000	
Repayment of long-term debt	(60,070)	(57,614)
Increase in deferred contributions related to capital assets	480,000	
Cash flows from financing activities	<u>594,930</u>	<u>(57,614)</u>
Net increase (decrease) in cash	(76,477)	552,555
Cash (bank indebtedness), beginning of year	<u>449,971</u>	<u>(102,584)</u>
Cash (bank indebtedness), end of year	<u><u>373,494</u></u>	<u><u>449,971</u></u>

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

John Howard Society of Ottawa

Notes to Financial Statements

March 31, 2009

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, 2008, in accordance with applicable transitional provisions, the Society applied the new recommendations of Section 1400, "General Standards of Financial Statement Presentation", of the *Canadian Institute of Chartered Accountants' (CICA) Handbook*, dealing with the going concern assumption. The new recommendations, which are effective for fiscal years beginning on or after January 1, 2008, require management to 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. The new requirements only address disclosures and have no impact on the Society's financial results.

On April 1, 2008, in accordance with applicable transitional provisions, the Society applied the recommendations of Section 1535, "Capital Disclosures", of the *CICA Handbook*. The new recommendations, which are effective for fiscal years beginning on or after October 1, 2007, establishes standards for disclosing information about an entity's capital and how it is managed. The new accounting standard only addresses disclosures and has no impact on the Society's financial results.

3 - ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

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.

Financial assets and liabilities

The Society has chosen to apply the recommendations of Section 3861, "Financial Instruments - Disclosure and Presentation", of the *CICA Handbook* with respect to the presentation and disclosure of financial instruments.

John Howard Society of Ottawa

Notes to Financial Statements

March 31, 2009

3 - ACCOUNTING POLICIES (Continued)

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value. Subsequently, financial assets and liabilities are measured and recognized as follows.

Held-for-trading financial assets

Cash and bank indebtedness are classified as a held-for-trading financial assets.

Available-for-sale financial assets

Term deposits are classified as available-for-sale investments and measured at their fair value.

Loans and receivables and other financial liabilities

Amounts receivable are classified as loans and receivables. They are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. Accounts payable and accrued liabilities are classified as other financial liabilities. They are measured at amortized cost using the effective interest method. Long-term debt is classified with other financial liabilities, measured at amortized cost using the effective interest method.

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.

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 2008, 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 2008, the Board authorized the transfer of \$110,000 to the Contingency fund.

John Howard Society of Ottawa

Notes to Financial Statements

March 31, 2009

3 - ACCOUNTING POLICIES (Continued)

Contributions related to capital assets

Capital grants received by the Society are deferred and amortized at offsetting rates that correspond to the amortization rate of the related capital asset.

Programs

Programs administered by the Society are principally funded by the Governments of Canada and of 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 substantially assisted by the contributions of volunteer time, the value of which is not recognized in these financial statements.

4 - TERM DEPOSIT

The deposit has an interest rate of 4.18% (3.3% in 2008) and matures in December 2013.

5 - CAPITAL ASSETS

	2009		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	1,073,081		1,073,081
Buildings	4,752,420	1,231,346	3,521,074
Leasehold improvements	439,483	230,920	208,563
Office equipment and computers	266,877	266,877	
Construction in progress	139,173		139,173
	<u>6,671,034</u>	<u>1,729,143</u>	<u>4,941,891</u>
	2008		
	Cost	Accumulated amortization	Net
	\$	\$	\$
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, 2009

6 - BANK INDEBTEDNESS

The Society has arranged a bank line of credit to \$225,000 of which \$nil (\$nil in 2008) was utilized at year end, at prime rate plus 1.5%, secured by a general security agreement and an \$87,805 term deposit.

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:

	<u>2009</u>	<u>2008</u>
	\$	\$
Capital assets		
Buildings - opening balance	1,796,710	1,905,356
Additions	480,000	
Amortization	<u>(108,646)</u>	<u>(108,646)</u>
Buildings - ending balance	<u>2,168,064</u>	<u>1,796,710</u>
Leasehold improvements - opening balance	307,067	328,910
Amortization	<u>(21,844)</u>	<u>(21,843)</u>
Leasehold improvements - ending balance	<u>285,223</u>	<u>307,067</u>
	<u>2,453,287</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, 2009

8 - LONG-TERM DEBT

	Current portion	2009	2008
	\$	\$	\$
6.25% mortgage loan, maturing 2013, payable in monthly instalments of \$1,279 including interest, secured by land and building having an amortized cost of \$377,696 in 2009	4,612	173,891	
6.17% mortgage loan, maturing 2013, payable in monthly instalments of \$2,224 including interest, secured by land and building having an amortized cost of \$1,087,705 in 2009	14,273	185,253	200,061
5.98% mortgage loan, maturing 2013, payable in monthly instalments of \$1,667 plus interest, secured by term deposits of \$87,805 and building having an amortized cost of \$406,025 in 2009	20,012	293,333	313,333
10% mortgage loan, maturing 2014, payable in monthly instalments of \$884 including interest, secured by land and building having an amortized cost of \$34,770 in 2009	6,560	42,127	48,358
6.12% mortgage loan, renewable 2010, payable in monthly instalments of \$2,705 including interest, secured by land and building having an amortized cost of \$1,686,497 in 2009	375,298	375,298	384,471
6.56% mortgage loan, maturing 2012, payable in monthly instalments of \$1,749 including interest, secured by a building with an amortized cost of \$251,750 in 2009	9,341	181,740	190,489
		<u>1,251,642</u>	1,136,712
Instalments due within one year	430,096	<u>430,096</u>	58,350
		<u>821,546</u>	<u>1,078,362</u>

The instalments on long-term debt for the next five years are \$430,096 in 2010, \$57,331 in 2011, \$60,057 in 2012, \$62,991 in 2013, \$365,224 in 2014 and \$275,943 thereafter.

9 - RELATED PARTY TRANSACTIONS

The John Howard Society of Ottawa paid the John Howard Society of Ontario a fee of \$8,311 (\$8,062 in 2008) for their administration of the employee benefit package, and for network support.

John Howard Society of Ottawa

Notes to Financial Statements

March 31, 2009

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 \$86,795. Minimum lease payments for the next five years and beyond approximate:

	<u>\$</u>
2010	15,438
2011	13,754
2012	12,282
2013	8,921
2014	7,800
Thereafter	<u>28,600</u>
	<u>86,795</u>

11 - CAPITAL MANAGEMENT

The Society's objectives when managing capital are to safeguard its ability to continue as a going concern and to meet its financial obligations. The Society manages its capital by obtaining funding from various funders, and by controlling expenditures to closely match revenues. In order to maintain or to adjust its capital structure, the Society may have to modify its forecast expenses for the realization of certain of its activities. The Society is not subject to any externally imposed capital requirements.

12 - FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Society is exposed to various financial risks resulting from both operating and investing activities. 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

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.

John Howard Society of Ottawa

Notes to Financial Statements

March 31, 2009

13 - FUTURE ACCOUNTING STANDARDS

In September 2008, the CICA modified the introduction to accounting standards that apply only to not-for-profit organizations and many sections of the 4400 series; it also made correlative changes to other sections of the CICA Handbook. The main changes concern the elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets and amendments to clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions.

Moreover, the CICA published new Section 4470 "Disclosure of allocated expenses by not-for-profit organizations" which establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

These new standards are effective for fiscal years beginning on or after January 1, 2009 and the Society will implement them as of April 1, 2009. Management is not able to measure the impact that the application of these new standards will have on the financial statements.

John Howard Society of Ottawa

Supplementary Information

Year ended March 31, 2009

							2009	2008
	Administration	Youth Justice Services	Adult Housing	Adult Justice Services	Employment and Training	Inter-Program Revenue/ Expenses	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Federal funding			1,002,907	37,381	90,933		1,131,221	1,114,180
Provincial funding		728,841	419,965	564,866	1,693,720		3,407,392	2,971,720
United Way of Ottawa		133,163		114,553	20,239		267,955	144,189
Fundraising, donations, memberships	3,548		100	24			3,672	6,488
Other revenue	27,422	197,934	120,907	132	223,728	(108,000)	462,123	518,075
Amortization of deferred contributions related to capital assets	1,501	49,990	77,499		1,500		130,490	130,489
Administration	584,165					(584,165)		
	616,636	1,109,928	1,621,378	716,956	2,030,120	(692,165)	5,402,853	4,885,141
Expenses								
Salaries and employee benefits	229,175	655,815	1,041,176	539,474	1,078,338		3,543,978	3,062,550
Operating	156,740	263,728	349,486	55,371	730,580	(108,000)	1,447,905	1,207,492
Administration	40,095	87,345	209,836	115,498	171,487	(584,165)	40,096	61,538
Interest on long-term debt		26,849	27,657		18,957		73,463	73,797
Amortization of capital assets	27,535	73,574	126,059		28,002		255,170	250,747
	453,545	1,107,311	1,754,214	710,343	2,027,364	(692,165)	5,360,612	4,656,124
Excess (deficiency) of revenues over expenses	163,091	2,617	(132,836)	6,613	2,756		42,241	229,017

John Howard Society of Ottawa Supplementary Information

Year ended March 31, 2009

Youth Justice Services							2009	2008
	Non-Residential Attendance Centre	Young Women's Residence	Young Men's Residence	Life Skills Contract	John Boscoe Achievement Centre	Crime Prevention	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Federal funding								
Provincial funding	330,063		255,577	122,316	20,885		728,841	684,064
United Way of Ottawa	60,989	12,572	59,602				133,163	25,644
Fundraising, donations, memberships								
Other revenue			192,734			5,200	197,934	268,383
Amortization of deferred contributions related to capital assets	1,500		48,490				49,990	49,990
Administration								
	392,552	12,572	556,403	122,316	20,885	5,200	1,109,928	1,028,081
Expenses								
Salaries and employee benefits	280,079		253,698	119,838		2,200	655,815	669,713
Operating	41,675	9,843	188,464	2,500	21,246		263,728	213,072
Administration	44,314		43,031				87,345	47,803
Interest on long-term debt	12,235	2,729	11,885				26,849	23,995
Amortization of capital assets	14,249		59,325				73,574	73,575
	392,552	12,572	556,403	122,338	21,246	2,200	1,107,311	1,028,158
Excess (deficiency) of revenues over expenses	-	-	-	(22)	(361)	3,000	2,617	(77)

John Howard Society of Ottawa

Supplementary Information

Year ended March 31, 2009

Adult Housing					2009	2008
	Kirkpatrick House	St. Anne Street Location	Bank Street Location	Lebreton Street Location	Total	Total
	\$	\$	\$	\$	\$	\$
Revenues						
Federal funding	626,180	264,084	112,643		1,002,907	832,979
Provincial funding		304,746	51,383	63,836	419,965	344,325
United Way of Ottawa						
Fundraising, donations, memberships	100				100	175
Other revenue	4,704	61,315	49,548	5,340	120,907	150,047
Amortization of deferred contributions related to capital assets		55,655	21,844		77,499	77,499
Administration						
	630,984	685,800	235,418	69,176	1,621,378	1,405,025
Expenses						
Salaries and employee benefits	386,494	411,848	191,104	51,730	1,041,176	806,245
Operating	125,793	136,403	60,012	27,278	349,486	241,381
Administration	68,203	114,769	26,864		209,836	116,906
Interest on long-term debt	4,377	23,280			27,657	28,042
Amortization of capital assets	6,246	93,415	21,974	4,424	126,059	121,634
	591,113	779,715	299,954	83,432	1,754,214	1,314,208
Excess (deficiency) of revenues over expenses	39,871	(93,915)	(64,536)	(14,256)	(132,836)	90,817

John Howard Society of Ottawa Supplementary Information

Year ended March 31, 2009

Adult Justice Services						2009	2008
	Housing Supports	Crisis Services	Reintegration Supports	Change Groups	Bail Verification and Supervision	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Federal funding				37,381		37,381	281,201
Provincial funding	93,407	36,100	52,243		383,116	564,866	630,641
United Way of Ottawa		114,553				114,553	118,545
Fundraising, donations, memberships		24				24	2,917
Other revenue		132				132	12,438
Amortization of deferred contributions related to capital assets							
Administration							
	93,407	150,809	52,243	37,381	383,116	716,956	1,045,742
Expenses							
Salaries and employee benefits	55,278	127,663	32,114	22,219	302,200	539,474	823,222
Operating	12,335	12,085	728	1,108	29,115	55,371	94,072
Administration	24,525	21,471	6,605	1,200	61,697	115,498	140,798
Interest on long-term debt							
Amortization of capital assets							
	92,138	161,219	39,447	24,527	393,012	710,343	1,058,092
Excess (deficiency) of revenues over expenses	1,269	(10,410)	12,796	12,854	(9,896)	6,613	(12,350)

John Howard Society of Ottawa

Supplementary Information

Year ended March 31, 2009

Employment & Training						2009	2008
	Job Connect	Summer Jobs	Hire Power	Pre-Employment Training	Youth Employment Resource Centre	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Federal funding			90,933			90,933	
Provincial funding	1,118,142	254,878	210,892	109,808		1,693,720	1,312,690
United Way of Ottawa				20,239		20,239	
Fundraising, donations, memberships							665
Other revenue	1,748	170	426	111,674	109,710	223,728	108,499
Amortization of deferred contributions related to capital assets					1,500	1,500	1,500
Administration							
	<u>1,119,890</u>	<u>255,048</u>	<u>302,251</u>	<u>241,721</u>	<u>111,210</u>	<u>2,030,120</u>	<u>1,423,354</u>
Expenses							
Salaries and employee benefits	632,310		231,466	214,562		1,078,338	615,994
Operating	382,532	255,048	15,098	16,459	61,443	730,580	657,484
Administration	105,100		55,687	10,700		171,487	100,200
Interest on long-term debt					18,957	18,957	21,760
Amortization of capital assets					28,002	28,002	28,002
	<u>1,119,942</u>	<u>255,048</u>	<u>302,251</u>	<u>241,721</u>	<u>108,402</u>	<u>2,027,364</u>	<u>1,423,440</u>
Excess (deficiency) of revenues over expenses	<u>(52)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,808</u>	<u>2,756</u>	<u>(86)</u>