

JOHN HOWARD SOCIETY OF DURHAM REGION

FINANCIAL STATEMENTS

MARCH 31, 2009



*Smith
Chappell
Marsh
Vilander* LLP Chartered Accountants

*H. Howard Smith, FCA
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AUDITORS' REPORT

To the Board of Directors
John Howard Society of Durham Region

We have audited the statement of financial position of John Howard Society of Durham Region as at March 31, 2009 and the related statements of changes in net assets and operations for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraphs, 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 organization derives part of its revenue from donations and fundraising events the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenue over expense, assets and net assets.

These financial statements reflect amortization of one building at a rate equal to the annual principal reduction of the mortgage loans secured by the property. Transfers to the Replacement and Capital Reserve Fund are accounted for on the Statement of Operations, rather than as an interfund transfer in the Statement of Changes in Net Assets. These are departures from Canadian generally accepted accounting principles.

In our opinion, except for the effect of adjustments, if any, which might have been determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue from donations and fundraising events, referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of John Howard Society of Durham Region as at March 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles except as described in note 2(j) of the financial statements.

Smith Chappell Marsh Vilander LLP

Chartered Accountants, Licensed Public Accountants

July 3, 2009
Oshawa, Ontario

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JOHN HOWARD SOCIETY OF DURHAM REGION
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31,

2009

ASSETS

Current

Cash	\$ 460,412
Investments	107,810
Accounts receivable	100,945
Prepaid expenses	<u>22,454</u>

691,621

Other

Capital assets (Notes 2 and 3)	<u>848,123</u>
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\$ 1,539,744

LIABILITIES

Current

Accounts payable	\$ 112,662
Deferred revenue (Note 2 (b))	34,848
Accrued pension liability (Note 13)	210,365
Mortgage principal due within one year (Note 5)	30,792
Due to Ministries	136,777
Due to The Regional Municipality of Durham (Note 6)	<u>70,376</u>

595,820

Other

Mortgages payable (Note 5)	<u>545,417</u>
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Deferred Contributions Related to Capital Assets (Note 10) 46,000

1,187,237

NET ASSETS

Replacement and Capital Reserve Fund 20,677

Invested in Capital Assets (Note 2 (d) and 11) 225,914

Operational reserve (Note 2 (i)) 67,000

Unrestricted Funds 38,916

352,507

\$ 1,539,744

Approved On Behalf Of The Board:

Director

Director

JOHN HOWARD SOCIETY OF DURHAM REGION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31,

2009

	<u>Replacement and Capital Reserve Fund</u>	<u>Invested in Capital Assets</u>	<u>Operational Reserve</u>	<u>Unrestricted</u>	
Opening balance	\$ 18,423	\$ 222,122	\$ 67,000	\$ 93,835	\$ 401,380
Excess of revenue over expenses (expenses over revenue)					
- operations (Note 11)	-	3,792	-	(51,072)	(47,280)
Current year allocation	2,254	-	-	-	2,254
Prior year adjustment (Note 14)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,847)</u>	<u>(3,847)</u>
Closing balance	\$ <u>20,677</u>	\$ <u>225,914</u>	\$ <u>67,000</u>	\$ <u>38,916</u>	\$ <u>352,507</u>

JOHN HOWARD SOCIETY OF DURHAM REGION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

United Way grants	\$ 354,944
Ministry funding	2,723,282
Other programs	63,281
Region of Durham	464,610
Public Health Agency of Canada	52,401
Durham College	46,847
ERC - MTCU	179,070
Bingo and fundraising	76,813
Other receipts	80,543
Donations	58,347
Interest	5,603
Children's Aid Society	52,982
CASS funding	61,342
Residence fees	<u>55,617</u>
	<u>4,275,682</u>

Expenses

Salaries and benefits	3,072,613
Training subsidies	387,252
Staff training	8,228
Travel	36,135
Program supplies	42,688
Occupancy (Note 9)	160,333
Mortgage interest	29,245
Insurance	35,531
Telephone	40,071
Office	79,836
Office equipment and maintenance	32,643
Meetings and promotion	5,791
Professional fees	39,155
Client assistance	7,087
Fundraising	7,830
Other programs	27,776
Miscellaneous	39,835
Marketing and promotion	10,563
Repairs and maintenance	65,211
Training supports	15,314
Replacement and capital reserve fund allocation	2,254
Amortization	<u>48,452</u>
	<u>4,193,843</u>

Earnings before amount refundable

81,839

Amount refundable to funders

129,119

Excess of revenue over expenses

\$ (47,280)

**JOHN HOWARD SOCIETY OF DURHAM REGION
STATEMENT OF OPERATING SURPLUS (DEFICIT)**

FOR THE YEAR ENDED MARCH 31,

2009

Excess (Deficiency) of Revenue over Expenses	
Whitby Residence Program	\$ -
Oshawa Residence #3 Program	-
Youth Diversion Service Program	-
Youth in Transition Program	(584)
Job Connect and Summer Job Service Programs	(625)
Community Justice Worker Program	-
Programming Contract	-
Literacy and Basic Skills Program	352
Project X	2,208
Access to Housing	(1,698)
Community Alternative to School Suspension	1,116
Clarington Youth Centre	152
ERC - MTCU	414
Bingo	9,466
Residence 2	4,637
C for Yourself	-
Project STEP	6
Central Administration	<u>(62,724)</u>
Net Surplus (Deficit)	<u>\$ (47,280)</u>

**JOHN HOWARD SOCIETY OF DURHAM REGION
WHITBY RESIDENCE PROGRAM**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

Ministry subsidy	\$ 272,432
Housing charges	25,741
Other funding	<u>52,982</u>
	<u>351,155</u>

Expenses

Salaries and benefits	271,218
Staff travel	997
Staff training	1,383
Food costs	12,000
Personal needs	400
Administration costs (Note 7)	18,212
Office	1,447
Premises rent	19,423
Utilities and taxes	7,966
Insurance	3,000
Repairs and maintenance	3,659
Furnishings and equipment	1,525
Professional fees	2,255
Telephone	<u>2,824</u>
	<u>346,309</u>

Earnings before amount refundable 4,846

Amount refundable to Ministry 4,846

Excess (Deficiency) of Revenue over Expenses \$ -

**JOHN HOWARD SOCIETY OF DURHAM REGION
OSHAWA RESIDENCE #3 PROGRAM**

**STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31,**

2009

Revenue	
Ministry subsidy	\$ 485,205
Housing charges	<u>20,756</u>
	<u>505,961</u>
Expenses	
Salaries and benefits	419,127
Staff training	221
Personal needs	702
Food costs	12,774
Travel	2,410
Administration costs (Note 7)	19,712
Telephone	5,037
Supplies	2,130
Professional fees	1,845
Renovation and minor capital	<u>40,717</u>
	<u>504,675</u>
Earnings before amount refundable	1,286
Amount refundable to Ministry	<u>1,286</u>
Excess (Deficiency) of Revenue over Expenses	<u>\$ -</u>

**JOHN HOWARD SOCIETY OF DURHAM REGION
YOUTH DIVERSION SERVICES PROGRAM**

**STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31,**

2009

Revenue	
Ministry subsidy	\$ <u>70,675</u>
Expenses	
Salaries and benefits	48,621
Staff training	500
Travel	1,500
Administration costs (Note 7)	6,667
Program supplies	394
Office supplies	1,455
Rent	3,892
Professional fees	1,538
Minor capital	<u>6,054</u>
	<u>70,621</u>
Earnings before amount refundable	54
Amount refundable to Ministry	<u>54</u>
Excess (Deficiency) of Revenues over Expenses	\$ <u><u>-</u></u>

**JOHN HOWARD SOCIETY OF DURHAM REGION
YOUTH IN TRANSITION PROGRAM**

**STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED MARCH 31,**

2009

Revenue

Ministry subsidy	\$ 126,269
Other	<u>4,000</u>
	<u>130,269</u>

Expenses

Salaries and benefits	98,565
Staff training	403
Travel	8,250
Administration costs (Note 7)	10,776
Telephone	2,740
Supplies	431
Professional fees	1,538
Rent	7,500
Client assistance	358
Minor capital	<u>292</u>
	<u>130,853</u>

Excess (Deficiency) of Revenue over Expenses \$ (584)

**JOHN HOWARD SOCIETY OF DURHAM REGION
JOB CONNECT AND SUMMER JOB SERVICE PROGRAMS**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

Grants - Ministry of Training, Colleges and Universities	\$ 1,247,300
Summer Jobs Service (SJS)	258,043
Interest income	-
Amortization of deferred contributions (Note 10)	<u>23,000</u>

1,528,343

Expenses

Salaries and benefits	693,272
Summer Jobs Service stipends	257,683
Training subsidies	129,569
Training supports	11,440
Administration costs (Note 7)	166,500
Staff development and training	2,931
Rent	68,629
Insurance	6,000
Travel and parking	4,602
Amortization	23,625
Office supplies	10,340
Fees and dues	1,189
Professional fees	3,485
Telephone	6,406
Computer maintenance and support	18,704
Promotion	<u>7,629</u>

1,412,004

Earnings before amount refundable 116,339

Amount refundable to Ministry 116,964

Excess (Deficiency) of Revenue over Expenses \$ (625)

**JOHN HOWARD SOCIETY OF DURHAM REGION
COMMUNITY JUSTICE WORKER PROGRAM**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

Ministry subsidy \$ 70,838

Expenses

Salaries and benefits 52,488

Staff travel 1,740

Staff training 458

Program supplies 1,500

Administration costs (Note 7) 6,000

Office 2,153

Rent 3,600

Personal needs 395

Professional fees 1,025

Telephone 1,150

Marketing and promotion 111

70,620

Earnings before amount refundable **218**

Amount Refundable to Ministry **218**

Excess (Deficiency) of Revenues over Expenses **\$ -**

**JOHN HOWARD SOCIETY OF DURHAM REGION
PROGRAMMING CONTRACT**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue	
Ministry subsidy	\$ <u>66,334</u>
Expenses	
Salaries and benefits	50,434
Staff training	404
Program supplies	871
Staff travel	730
Administration costs (Note 7)	6,000
Office	2,012
Rent	3,600
Personal needs	152
Professional fees	<u>1,025</u>
	<u>65,228</u>
Earnings before amount refundable	1,106
Amount refundable to Ministry	<u>1,106</u>
Excess (Deficiency) of Revenues over Expenses	<u>\$ -</u>

**JOHN HOWARD SOCIETY OF DURHAM REGION
LITERACY AND BASIC SKILLS PROGRAM**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

Ministry of Training, Colleges and Universities	\$ 164,000
Joint Literacy Program Fees	<u>46,847</u>
	<u>210,847</u>

Expenses

Salaries and benefits	177,435
Administration costs (Note 7)	13,500
Development and training	5,374
Travel and parking	358
Professional fees	2,306
Office supplies	6,371
Computer maintenance and support	2,511
Telephone	1,500
Insurance	1,020
Fees and dues	<u>120</u>
	<u>210,495</u>

Excess (Deficiency) of Revenue over Expenses

\$ 352

**JOHN HOWARD SOCIETY OF DURHAM REGION
PROJECT X**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

Region of Durham

\$ 211,700

Expenses

Salaries and benefits

133,884

Program supplies

40,656

Administration (Note 7)

20,670

Marketing and promotion

1,000

Staff training

1,031

Travel and parking

8,145

Professional fees

1,200

Office supplies

1,162

Telephone

1,744

209,492

Excess (Deficiency) of Revenue over Expenses

\$ 2,208

**JOHN HOWARD SOCIETY OF DURHAM REGION
ACCESS TO HOUSING**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

Region of Durham	\$ 156,622
Region of Durham - Bridging the Gap	<u>5,423</u>
	<u>162,045</u>

Expenses

Salaries and benefits	143,127
Program supplies	6,763
Administration (Note 7)	6,696
Staff training	1,000
Travel and parking	893
Office supplies	4,244
Telephone	<u>1,020</u>
	<u>163,743</u>

Excess (Deficiency) of Revenue over Expenses \$ (1,698)

**JOHN HOWARD SOCIETY OF DURHAM REGION
COMMUNITY ALTERNATIVE TO SCHOOL SUSPENSION**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

Board of Education	\$ 49,276
Trillium	12,067
Other program revenue	<u>840</u>
	<u>62,183</u>

Expenses

Salaries and benefits	43,286
Administration (Note 7)	2,000
Marketing and promotion	1,142
Occupancy	2,400
Travel and parking	464
Office supplies	7,366
Office equipment and maintenance	4,134
Other programs	<u>275</u>
	<u>61,067</u>

Excess (Deficiency) of Revenue over Expenses

\$ 1,116

**JOHN HOWARD SOCIETY OF DURHAM REGION
CLARINGTON YOUTH CENTRE**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

United Way	\$ 12,500
Ministry of Health - F.L.A.R.E.	4,986
Municipality of Clarington	45,030
Fundraising	6,956
Donations	<u>3,365</u>
	<u>72,837</u>

Expenses

Salaries and benefits	60,160
Administration (Note 7)	2,797
Marketing and promotion	661
Occupancy	1,000
Travel and parking	1,224
Office supplies	783
Office equipment and maintenance	2,218
Other programs	595
Telephone	223
Repairs and maintenance	763
Miscellaneous	<u>2,261</u>
	<u>72,685</u>

Excess (Deficiency) of Revenue over Expenses

\$ 152

**JOHN HOWARD SOCIETY OF DURHAM REGION
ERC - MTCU**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

ERC - MTCU

\$ 179,070

Expenses

Salaries and benefits

132,522

Administration (Note 7)

18,636

Marketing and promotion

20

Occupancy

12,775

Travel and parking

16

Office supplies

3,945

Office equipment and maintenance

6,874

Telephone

1,629

Insurance

2,239

178,656

Excess (Deficiency) of Revenue over Expenses

\$ 414

**JOHN HOWARD SOCIETY OF DURHAM REGION
BINGO**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

Bingo
Other

\$ 52,343
1,606
53,949

Expenses

Program and services
Fundraising

44,333
150
44,483

Excess (Deficiency) of Revenue over Expenses

\$ 9,466

**JOHN HOWARD SOCIETY OF DURHAM REGION
RESIDENCE 2**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

Region of Durham	\$ 90,866
Residents' fees	<u>9,120</u>
	<u>99,986</u>

Expenses

Salaries and benefits	22,069
Administration (Note 7)	8,845
Occupancy	9,446
Professional fees	2,460
Office supplies	170
Mortgage interest	17,702
Insurance	4,200
Amortization	18,027
Repairs and maintenance	5,531
Replacement and capital reserve fund allocation	<u>2,254</u>
	<u>90,704</u>

Earnings before amount refundable 9,282

Amount Refundable to Region 4,645

Excess (Deficiency) of Revenue over Expenses \$ 4,637

**JOHN HOWARD SOCIETY OF DURHAM REGION
C FOR YOURSELF - HEPATITIS C PREVENTION PROGRAM**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

Public Health Agency of Canada \$ 33,832

Expenses

Program supplies 300
Client assistance 3,750
Administration (Note 7) 3,532
Staff training 1,000
Travel and parking 2,550
Office supplies 10,800
Office equipment and maintenance 3,900
Other programs 6,500
Miscellaneous 1,500

33,832

Excess (Deficiency) of Revenue over Expenses

\$ -

**JOHN HOWARD SOCIETY OF DURHAM REGION
PROJECT STEP**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

Public Health Agency of Canada \$ 18,569

Expenses

Salaries and benefits 7,048
Client assistance 1,225
Administration (Note 7) 661
Staff training 100
Occupancy 400
Travel and parking 1,798
Office supplies 2,615
Office equipment and maintenance 1,565
Other programs 2,500
Telephone 526
Miscellaneous 125

18,563

Excess (Deficiency) of Revenue over Expenses

\$ 6

**JOHN HOWARD SOCIETY OF DURHAM REGION
CENTRAL ADMINISTRATION**

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2009

Revenue

United Way grants	\$ 342,444
Other programs	62,880
Bingo and fundraising	19,069
Donations	9,952
Other receipts	7,143
Interest	<u>5,603</u>
	<u>447,091</u>

Expenses

Salaries and benefits	3,088,129
Client assistance	105
Meetings and promotion	5,791
Staff training	1,116
Occupancy	122,324
Travel and parking	3,658
Professional fees	21,679
Office supplies	49,356
Office equipment and maintenance	12,244
Other programs	17,906
Mortgage interest	11,543
Telephone	18,852
Insurance	26,113
Amortization	6,800
Repairs and maintenance	16,893
Fundraising	7,680
Miscellaneous	5,892
Allocated administration	<u>(2,906,266)</u>
	<u>509,815</u>

Excess (Deficiency) of Revenue over Expenses

\$ (62,724)

JOHN HOWARD SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

1. General Information

The John Howard Society of Durham Region (JHS) is a charitable organization in accordance with the Income Tax Act (Canada) and, as such, does not pay income taxes. The organization was incorporated in 1999 in Ontario as a corporation without share capital.

It is committed to providing and developing programs that reduce the social, economic and personal costs of crime. The Society is dedicated to helping youth and adults in conflict with the law and individuals at risk through service, education, reform and community programs.

The Whitby Residence Program rents premises for a residence in Whitby. The residence is open to males between the ages of 15 and 24 who may have a history of parent/child conflict or family dysfunction. The program is designed to help residents learn the necessary skills to live independently in the community. The residence is staffed 24 hours a day, seven days a week. Counselling is available and various skills are taught.

The Oshawa Residence Program is located in Oshawa. The program is open to youth and designed to help them learn the necessary skills to live independently in the community. The residence is staffed 24 hours per day, seven days a week.

The Youth in Transition Program is facilitated from the Whitby office. The program is designed to provide counselling and transitional support services to Crown Ward youth aged 16-18 who are transitioning from the care of Durham Children's Aid Society to independent living within the community. Transitional staff assist clients in this program to secure housing, employment, educational supports, social and recreational supports, life and independent living skills, referrals and links to other community agencies and general counselling where required. Transitional workers provide direct service to their clientele in the various JHS office locations and the community.

Youth Diversion Services program provides alternative measures to youth aged 12-18 who have been identified by Durham Regional Police as individuals who have been alleged to have committed an offence and accept responsibility for their involvement. This program is facilitated in partnership with Durham Regional Police, Pinewood Centre and Eastview Boys and Girls Club. The Youth Diversion Services program consists of individual counselling, anger management and anti-theft group counselling. Counselling services are provided at each of the four agency locations including Clarington, Oshawa, Whitby and Ajax by the program counsellor.

The Job Connect and Summer Job Service Programs provide service to the unemployed, with a focus on youth, persons in receipt of social assistance, and persons not eligible for federal employment insurance programs and services. They also provide an information and referral service, employment preparation and planning, and on-the-job training.

The Community Justice Worker program deals with low-risk accused persons who have committed low-level offences. The program provides alternative measures to address offences including restitution, compensation, and reparation to community. The program also provide access to counselling, mental health services, employment skills, supportive housing, anger management and substance abuse.

The Programming Contract is for a worker who coordinates groups for participants referred by the Community Justice Worker and assists the Community Justice Worker.

The Literacy and Basic Skills Program provides literacy and basic skills services to the community.

JOHN HOWARD SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

2. Summary of Significant Accounting Policies

In prior years, all the programs run by the Society were not incorporated into the financial statements. Starting this year, all programs are now incorporated into the financial statements.

(a) Capital Assets

The policy of the Society is to capitalize purchases of major capital assets at their cost in the year of acquisition. Minor capital asset purchases are being expensed as approved by the board.

(b) Deferred Revenue

Deferred revenue is income received which is attributable to subsequent years. As the expenses are incurred, this income will be recognized in the Statement of Operations.

(c) Revenue Recognition

John Howard Society of Durham Region follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

United Way funding is recognized based on the calendar year allocation and prorated for January to March.

Various government funding is recognized based on the funding agreement.

Bingo revenue is recognized monthly based on pooling allocations.

Interest is recognized when it is earned.

Housing charges are due and recognized at the beginning of each month for that month.

Program revenue is recognized when programs are held.

(d) Invested in Capital Assets

This funds represents capital assets less amortization and net of mortgages payable and deferred contributions related to capital assets (Note 11). The method of recording amortization on each class is described in Note 2(f).

(e) Pledges

Pledges are recorded when amounts are received.

(f) Amortization

Amortization is recorded on the straight-line basis over the following period:

Building - main office	40 years with residual value of \$12,000
Leasehold improvements	5 years
Other equipment	5 years

JOHN HOWARD SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

2. Summary of Significant Accounting Policies (continued)

(g) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results may differ from those estimates.

(h) Contributed Services

John Howard Society of Durham Region would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. The value is not recognized in these financial statements.

(i) Operational Reserve

The Board of Directors of John Howard Society of Durham Region has established an internally restricted Operational Reserve fund. The purpose of this fund is to provide the organization with a reserve of cash for years when funding is not sufficient to cover operating costs. Funds can only be transferred to and from this fund with the approval of the Board of Directors.

(j) Basis of Accounting

As indicated in the Auditors' report, paragraph 4, there are departures from Canadian generally accepted accounting principles in these financial statements. These departures are as follows:

The residential building is amortized annually in an amount equal to the annual mortgage principal repayment. Current year's amortization of the building referred to was \$18,027 and the accumulated amortization was \$156,561. If the amortization policy used had been the same as the policy used for the other building owned by the Society, the current amortization would have been \$4,698 and the accumulated amortization would have been \$89,262.

Transfers to the Replacement and Capital Reserve Fund are accounted for on the Statements of Operations, rather than as an interfund transfer in the Statement of Changes in Net Assets.

JOHN HOWARD SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

3. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value 2009</u>
Land - main office	\$ 176,000	\$ -	\$ 176,000
Land - residential program	387,872	-	387,872
Building - main office	239,596	38,406	201,190
Building - residential program	187,912	156,561	31,351
Leasehold improvements	118,121	70,871	47,250
Other equipment	<u>19,356</u>	<u>14,896</u>	<u>4,460</u>
	<u>\$ 1,128,857</u>	<u>\$ 280,734</u>	<u>\$ 848,123</u>

4. Line of Credit

The bank credit facility represents a line of credit of \$90,000. There was \$nil outstanding at March 31, 2009 (\$nil outstanding at March 31, 2008). The line of credit is secured by a charge against property owned by the Society.

5. Mortgage Payable

The mortgage is due in blended monthly installments of \$1,900 through April, 2010 with interest at 7.1%. It is secured by a charge against the property owned by the Society and used as the main office.

	\$ 156,992
Less: principal due within one year	<u>12,040</u>
Long-term portion	<u>\$ 144,952</u>

The annual principal payments would be as follows:

2010	\$ 12,040
2011	<u>144,952</u>
	<u>\$ 156,992</u>

JOHN HOWARD SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

5. Mortgage Payable (continued)

2009

The mortgage, secured by the property used in the residential program, bears interest at a rate of 4.17% per annum, is amortized over 19 years and 7 months and is repayable in blended monthly installments of \$2,977 through October, 2015.

	\$ 419,217
Less: Current portion	<u>18,752</u>
	<u>\$ 400,465</u>

Minimum principal repayments within the next five years are as follows:

2010	\$ 18,752
2011	19,542
2012	20,365
2013	21,223
2014	22,117
2015 and beyond	<u>317,218</u>
	<u>\$ 419,217</u>

6. Due to The Regional Municipality of Durham

The funding agreement with the The Regional Municipality of Durham requires that amounts be set aside annually as a reserve for both minor and major replacement costs. In prior years, additional funds were loaned from The Regional Municipality of Durham to enable necessary work. The loan is due on demand and is non-interest bearing.

7. Allocated expenses

These amounts are charged to various programmes administered by the Society. This represents reimbursement of salary, benefits and administrative costs. Expenses are allocated to programs in accordance with the nature and purpose of the outlay or as expressly permitted by the various funding authorities. Where an expense relates to multiple programs, it is allocated to the programs in accordance with the approved budgets. Expenses allocations are those provided by management.

8. Statement of Cash Flows

A statement of cash flows has not been presented as all investing and financing activities are separately disclosed within these financial statements.

JOHN HOWARD SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

9. Commitments

The Society pays rent of \$2,831 per month for its Ajax office based on a lease agreement which expires in March 2010 and may be subject to marginal adjustments. The Society pays rent of \$5,031 per month for its Whitby office based on a lease agreement which expires in 2011. The Society also pays rent of \$1,116 per month for its Clarington office based on a lease agreement which is signed yearly and may be subject to marginal adjustments from year to year. Some of the space occupied by the Society is sublet to other organizations from which rent is collected.

10. Deferred Contributions Related to Capital Assets

Deferred contributions related to specific capital assets represent the unamortized amount of funds received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations on the same basis as the amortization expense related to these capital assets.

	<u>2009</u>
Opening balance	\$ 69,000
Less: Amount amortized to revenue	<u>(23,000)</u>
Closing balance	<u>\$ 46,000</u>

11. Invested in Capital Assets

- (a) Invested in capital assets is calculated as follows:

	<u>2009</u>
Net book value of capital assets	\$ 848,123
Less: Amount financed by mortgage	<u>(576,209)</u>
	271,914
Less: Amount financed by deferred contributions	<u>(46,000)</u>
Closing balance	<u>\$ 225,914</u>

- (b) Change in net assets invested in capital assets is calculated as follows:

Excess of Revenues Over Expenses (Expenses Over Revenues)	
Amortization of deferred contributions	\$ 23,000
Reduction/Increase of mortgage	29,244
Amortization of capital assets	<u>(48,452)</u>
	<u>\$ 3,792</u>

JOHN HOWARD SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

12. Fair value of financial instruments

The carrying amount of accounts receivable and accounts payable approximate the fair value because of the short term maturity of these items. The carrying amount of the mortgage payable also approximates the fair values as fixed interest rates approximate market rates at March 31, 2009.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency, credit or market risks arising from financial instruments.

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Society is subject to interest rate risk through one of their mortgages. The Society is not subject to interest rate risk with one mortgage payable as the mortgage is guaranteed by the funding authority. For the other mortgage payable, the Society monitors the current interest rate to ensure that their interest rates do not vary much from the market rate.

13. Pension Costs and Obligations

The Society participates in a multi-employer defined benefit pension plan of John Howard Society of Ontario, which covers certain eligible employees. The Society also sponsors a defined contribution pension plan for its employees. During the year, regular pension contributions of \$267,080 were expensed for both plans.

In 2007, the Society's Board of Directors committed to a change in the defined benefit plan to allow the year of record on retirement as being the calendar year of retirement for the remaining employees in this plan. John Howard Society of Ontario is currently in the process of implementing this amendment to the pension plan. The cost of this amendment is still unknown but the Board of Directors has determined that an amount of \$200,000 be expensed in 2007 and set up as a liability towards this future commitment.

14. Prior Year Adjustment

Prior period adjustments for the fiscal year 2009 reflect prior years' changes in subsidies applied for and received.

15. Subsequent Events

On July 2, 2009, the Society purchased a property for \$148,000. The current mortgage on the Society's main office was refinanced to provide the necessary funds to purchase the new property.

JOHN HOWARD SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

16. Future Accounting Changes

The Canadian Institute of Chartered Accountants (CICA) has issued new accounting standards on financial instruments that enhance and revise the current disclosure and carry forward unchanged its presentation requirements. These standards place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Society manages those risks. These standards are effective for the Society's fiscal year commencing April 1, 2009.

In September 2008, the CICA issued amendments to various accounting standards relating to not-for-profit organizations and issued a new accounting standard: Handbook Section 4470 "Disclosure of Allocated Expenses by Not-For-Profit Organizations". These amendments and new standard affect the financial statement presentation and disclosure requirements for not-for-profit organizations. These standards are effective for the Society's fiscal year commencing April 1, 2009.

The Society is currently assessing the impacts of these new standards.

17. Comparative Figures

In prior years, all the programs run by the Society were not incorporated in the financial statements. These programs had different year ends. All programs were incorporated starting April 1, 2008 and all now have a March 31 yearend. Comparative figures are not provided because of the differing year ends would preclude meaningful information being reported. Copies of prior year financial statements for separate programs can be obtained from the Society.