

**THE JOHN HOWARD SOCIETY OF  
THE LOWER MAINLAND OF  
BRITISH COLUMBIA**

Vancouver, B.C.

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FINANCIAL STATEMENTS

March 31, 2019

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of The John Howard Society of the Lower Mainland of British Columbia:

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of The John Howard Society of the Lower Mainland of British Columbia (the "entity"), which comprise the statement of financial position as at March 31, 2019, and the statement of revenues and expenditures, statement of changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

*Baker Tilly WM LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.  
August 15, 2019

# THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

## STATEMENT OF REVENUES AND EXPENDITURES

For the year ended March 31, 2019

	Operating Fund \$	Capital Fund \$	2019 \$	2018 \$
<b>Revenues, Schedule 1</b>	<b>12,673,183</b>	<b>20,238</b>	<b>12,693,421</b>	10,125,321
Property rental	112,990	835,669	948,659	856,665
	<b>12,786,173</b>	<b>855,907</b>	<b>13,642,080</b>	10,981,986
<b>Expenditures</b>				
<b>Staffing</b>				
Employee benefits	1,369,364	17,362	1,386,726	1,094,997
Salaries	6,333,805	84,998	6,418,803	5,181,686
Training and development	84,952	-	84,952	30,905
Travel	234,868	1,819	236,687	177,821
	<b>8,022,989</b>	<b>104,179</b>	<b>8,127,168</b>	6,485,409
<b>Operating</b>				
Accommodations	950,440	182,724	1,133,164	1,020,372
Client support	316,219	3,034	319,253	226,313
Food and supplies	180,938	-	180,938	179,270
Furnishings	42,840	28,773	71,613	36,139
Housing placement	-	-	-	10,835
Insurance	46,787	30,715	77,502	77,407
Interest	-	129,833	129,833	124,439
Programme needs	1,956,871	38,472	1,995,343	1,448,218
	<b>3,494,095</b>	<b>413,551</b>	<b>3,907,646</b>	3,122,993
<b>Administration</b>				
Advertising	9,268	-	9,268	8,556
Audit, legal and banking	41,185	-	41,185	18,066
Board	6,100	-	6,100	7,703
Office and miscellaneous	377,400	2,125	379,525	226,005
Purchased services	-	-	-	30,967
Telephone	82,624	-	82,624	65,313
	<b>516,577</b>	<b>2,125</b>	<b>518,702</b>	356,610
Total expenditures	<b>12,033,661</b>	<b>519,855</b>	<b>12,553,516</b>	9,965,012
Excess of revenues over expenditures before non-cash items	<b>752,512</b>	<b>336,052</b>	<b>1,088,564</b>	1,016,974
Amortization of property and equipment	-	(292,578)	(292,578)	(211,781)
Amortization of deferred capital contributions (Note 7)	-	41,108	41,108	42,820
Change in fair value of investments	6,223	-	6,223	24,181
Gain on disposal of property and equipment (Note 3)	-	-	-	475,152
<b>Excess of revenues over expenditures</b>	<b>758,735</b>	<b>84,582</b>	<b>843,317</b>	1,347,346

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

**THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF  
BRITISH COLUMBIA**

STATEMENT OF CHANGES IN FUND BALANCES

For the year ended March 31, 2019

	Operating Fund \$	Internally Restricted Funds \$	Capital Fund \$	2019 \$	2018 \$
Balances, beginning	534,880	541,029	5,529,592	6,605,501	5,258,155
Excess of revenues over expenditures	758,735	-	84,582	843,317	1,347,346
<b>Interfund transfers:</b>					
Purchase of property and equipment	(138,189)	-	138,189	-	-
Repayments from (advances to) capital fund	(162,776)	-	162,776	-	-
Excess of revenues over expenditures before non- cash items	336,052	-	(336,052)	-	-
Interest on restricted funds (Note 2)	(11,808)	11,808	-	-	-
Transfers (Note 2)	(100,000)	100,000	-	-	-
<b>Balances, ending</b>	<b>1,216,894</b>	<b>652,837</b>	<b>5,579,087</b>	<b>7,448,818</b>	<b>6,605,501</b>

*The accompanying notes are an integral part of these financial statements.*


**THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF  
BRITISH COLUMBIA**

STATEMENT OF FINANCIAL POSITION

March 31, 2019

	2019 \$	2018 \$
<b>Assets</b>		
Current		
Cash (Note 2)	2,258,180	1,605,539
Grants and other receivables	927,999	684,097
Prepaid expenses and deposits	212,220	170,144
	<u>3,398,399</u>	<u>2,459,780</u>
Marketable securities	189,483	183,260
Property and equipment (Note 3)	9,741,254	9,895,643
	<u>13,329,136</u>	<u>12,538,683</u>
<b>Liabilities</b>		
Current		
Payables and accruals	159,567	89,486
Accrued wages, salaries and holiday pay (Note 4)	751,523	575,129
Deferred contributions (Note 5)	807,061	902,516
Current portion of mortgages payable (Note 6)	168,251	162,067
	<u>1,886,402</u>	<u>1,729,198</u>
Deferred contributions for property and equipment (Note 7)	988,448	1,029,556
Mortgages payable (Note 6)	3,005,468	3,174,428
	<u>5,880,318</u>	<u>5,933,182</u>
<b>Fund Balances</b>		
Capital fund	5,579,087	5,529,592
Operating funds		
Internally restricted (Note 2)	652,837	541,029
Unrestricted surplus	1,216,894	534,880
	<u>7,448,818</u>	<u>6,605,501</u>
	<u>13,329,136</u>	<u>12,538,683</u>

Approved by Directors:

*The accompanying notes are an integral part of these financial statements.*

**THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF  
BRITISH COLUMBIA**

STATEMENT OF CASH FLOWS

For the year ended March 31, 2019

	2019 \$	2018 \$
<b>Cash flows related to operating activities</b>		
Excess of revenues over expenditures	843,317	1,347,346
Adjustments for items not affecting cash:		
Amortization of property and equipment	292,578	211,781
Amortization of deferred capital contributions	(41,108)	(42,820)
Change in fair value of investments	(6,223)	(24,181)
Gain on disposal of property and equipment	-	(475,152)
	<u>1,088,564</u>	<u>1,016,974</u>
Changes in non-cash working capital:		
Grants and other receivables	(243,902)	(5,706)
Prepaid expenses and deposits	(42,076)	(144,379)
Payables and accruals	70,081	(273,541)
Accrued wages, salaries and holiday pay	176,394	(49,156)
Accrued employee relations fund	-	(34,229)
Deferred contributions	(95,455)	647,656
	<u>953,606</u>	<u>1,157,619</u>
<b>Cash flows related to investing activities</b>		
Purchase of property and equipment	(138,189)	(202,767)
Proceeds on disposal of property and equipment	-	906,151
	<u>(138,189)</u>	<u>703,384</u>
<b>Cash flows related to financing activities</b>		
Demand loan repayments	-	(486,194)
Mortgage repayments	(162,776)	(2,087,335)
Mortgage proceeds	-	1,921,200
	<u>(162,776)</u>	<u>(652,329)</u>
<b>Net increase in cash</b>	<b>652,641</b>	<b>1,208,674</b>
Cash, beginning	1,605,539	396,865
<b>Cash, ending</b>	<b>2,258,180</b>	<b>1,605,539</b>
Cash is represented by:		
Cash	1,605,343	1,064,510
Internally restricted cash	652,837	541,029
	<u>2,258,180</u>	<u>1,605,539</u>

*The accompanying notes are an integral part of these financial statements.*



# THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

## NOTES

For the year ended March 31, 2019

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The John Howard Society of the Lower Mainland of British Columbia (the "Society") was incorporated in 1989 under the laws of British Columbia and is a registered charitable organization under the *Income Tax Act*. As a registered charity, the Society is not subject to income taxes. Its purpose is to offer services through all levels of the criminal justice process. The Society is dependent on funding from federal and provincial governments to meet its obligations and to finance its continued operations.

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### Note 1 Significant Accounting Policies

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These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### Fund Accounting

The Society follows the restricted fund method of accounting for revenues.

The unrestricted operating fund accounts for the Society's programme delivery and administrative activities.

The internally restricted funds include the property development fund and the sick pay fund. The property development fund reports amounts relating to preserving, enhancing and expanding the Society's properties. The sick pay fund accounts for funds restricted to cover sick pay entitlements for the Society's employees. Interest earned on the internally restricted balances is transferred to those funds.

The capital fund reports the assets, liabilities and equity relating to the Society's property and equipment.

#### Investments

Investments in equity funds are measured at fair value and recognized on a trade date basis.

#### Property and Equipment

The Society capitalizes purchases of property and equipment with a cost of \$1,000 or greater.

Property and equipment are carried at cost less accumulated amortization. Amortization is calculated annually over the estimated useful life of the asset as follows:

Buildings	- 4% declining balance
Equipment	- 20% declining balance
Computer	- 30% declining balance
Vehicles	- 20% declining balance
Software	- 100% declining balance

except in the year of acquisition, at which time amortization is provided for at one-half the annual rate.

# THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

## NOTES

For the year ended March 31, 2019

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### **Note 1 Significant Accounting Policies (continued)**

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#### **Revenue Recognition**

Government funding is recognized as revenue monthly over the terms of the funding contracts.

Property rental revenue is recognized monthly in accordance with the rental agreements.

Fundraising, grants and other income are recognized as revenue when received or either on a time proportion basis, through passage of time or based on completion of a performance condition.

Deferred contributions are restricted contributions for which no corresponding restricted fund is presented and are recognized as revenue in the period in which the related expenditures are incurred.

#### **Contributed Services and Materials**

A number of volunteers contribute a significant amount of their time and services to the Society each year. Because of the difficulty in determining fair value, these contributed services are not recognized in the financial statements. The Society recognizes the fair value of contributed materials at the time of receipt, where such fair value is determinable, and the materials would otherwise have been purchased. The Society did not receive any such contributed materials in the current year.

#### **Deferred Contributions**

Restricted grants and contributions received which relate to programs and events to be carried out in future fiscal years are reflected as deferred contributions.

Restricted grants and contributions received to fund property and equipment acquisitions are reflected as deferred contributions for property and equipment and are amortized in the statement of revenues and expenditures over the service lives of the related item of property and equipment.

#### **Employee Future Benefits**

Defined contribution plan accounting is used for the multi-employer defined benefit plan to which the Society's employees belong as sufficient information is not available to use defined benefit plan accounting. All required contributions are expensed in the period in which the related employee services are rendered.

# THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

## NOTES

For the year ended March 31, 2019

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### Note 1 Significant Accounting Policies (continued)

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#### Financial Instruments

##### *Measurement of financial instruments*

The Society measures its financial assets and financial liabilities at fair value at the acquisition date, except for financial assets and financial liabilities acquired in related party transactions. Transaction costs related to the acquisition of financial instruments subsequently measured at fair value are recognized in the statement of revenues and expenditures when incurred. The carrying amounts of financial instruments not subsequently measured at fair value are adjusted by the amount of the transaction costs directly attributable to the acquisition of the instrument.

The Society subsequently measures all of its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the statement of revenues and expenditures.

##### *Impairment*

Financial assets measured at amortized cost are assessed for indications of impairment at the end of each reporting period. If impairment is identified, the amount of the write-down is recognized as an impairment loss in the statement of revenues and expenditures. Previously recognized impairment losses are reversed when the extent of the impairment decreases, provided that the adjusted carrying amount is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of revenues and expenditures.

#### Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period.

# THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

## NOTES

For the year ended March 31, 2019

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### Note 2 Internally Restricted Funds

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Commencing in 2001, the Society internally restricted funds from the Operating Fund for a Property Development Fund for the purpose of preserving, enhancing and expanding the Society's properties. Commencing in 2003, the Society internally restricted funds from the Operating Fund for a Sick Pay Fund to ensure sufficient funds are available to cover the sick pay entitlements of the Society's employees.

The Property Development Fund balance consists of:

	\$
Balance, beginning	288,476
Transfer from Operating Fund	100,000
Interest earned	6,826
	<hr/>
Balance, ending	395,302
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The Sick Pay Fund balance consists of:

	\$
Balance, beginning	252,553
Interest earned	4,982
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Balance, ending	257,535
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Total internally restricted funds	<hr/> <hr/> 652,837
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# THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

## NOTES

For the year ended March 31, 2019

### Note 3 Property and Equipment

	Cost \$	2019 Accumulated Amortization \$	Net \$	Cost \$	2018 Accumulated Amortization \$	Net \$
Guy Richmond Place						
Land	206,231	-	206,231	206,231	-	206,231
Building	510,969	507,480	3,489	507,480	507,480	-
	<u>717,200</u>	<u>507,480</u>	<u>209,720</u>	<u>713,711</u>	<u>507,480</u>	<u>206,231</u>
Vancouver Apartments						
Land	247,288	-	247,288	247,288	-	247,288
Building	134,570	54,281	80,289	134,570	50,936	83,634
	<u>381,858</u>	<u>54,281</u>	<u>327,577</u>	<u>381,858</u>	<u>50,936</u>	<u>330,922</u>
Hobden House						
Land	265,090	-	265,090	265,090	-	265,090
Building	208,374	93,848	114,526	208,374	89,076	119,298
	<u>473,464</u>	<u>93,848</u>	<u>379,616</u>	<u>473,464</u>	<u>89,076</u>	<u>384,388</u>
Miller Block						
Land	457,173	-	457,173	457,173	-	457,173
Building	2,192,069	971,923	1,220,146	2,192,069	921,083	1,270,986
	<u>2,649,242</u>	<u>971,923</u>	<u>1,677,319</u>	<u>2,649,242</u>	<u>921,083</u>	<u>1,728,159</u>
Tims Manor						
Land	211,869	-	211,869	211,869	-	211,869
Building	1,142,406	400,167	742,239	1,074,108	370,663	703,445
	<u>1,354,275</u>	<u>400,167</u>	<u>954,108</u>	<u>1,285,977</u>	<u>370,663</u>	<u>915,314</u>
3350 Fraser Street						
Land	1,380,524	-	1,380,524	1,380,524	-	1,380,524
Building	3,595,138	200,321	3,394,817	3,590,151	58,974	3,531,177
	<u>4,975,662</u>	<u>200,321</u>	<u>4,775,341</u>	<u>4,970,675</u>	<u>58,974</u>	<u>4,911,701</u>
2411 West Railway						
Land	499,910	-	499,910	499,910	-	499,910
Building	968,252	187,563	780,689	965,005	155,170	809,835
	<u>1,468,162</u>	<u>187,563</u>	<u>1,280,599</u>	<u>1,464,915</u>	<u>155,170</u>	<u>1,309,745</u>

# THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

## NOTES

For the year ended March 31, 2019

### Note 3 Property and Equipment (continued)

	2019			2018		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	\$	\$	\$	\$	\$	\$
Equipment	288,495	238,468	50,027	276,417	227,471	48,946
Computer	142,423	115,722	26,701	142,423	104,279	38,144
Vehicles	87,482	38,136	49,346	52,292	30,199	22,093
Software	27,553	16,653	10,900	16,653	16,653	-
	<u>545,953</u>	<u>408,979</u>	<u>136,974</u>	<u>487,785</u>	<u>378,602</u>	<u>109,183</u>
	<u>12,565,816</u>	<u>2,824,562</u>	<u>9,741,254</u>	<u>12,427,627</u>	<u>2,531,984</u>	<u>9,895,643</u>

On April 28, 2017, the Society completed the sale of properties located at 752 and 756 Kingsway for a total sale price of \$940,000. The gain on the disposal of these properties was \$475,152, net of selling costs of \$33,849.

### Note 4 Accrued Wages, Salaries and Holiday Pay

Accrued wages, salaries and holiday pay consist of the following:

	2019	2018
	\$	\$
Employee accruals	655,233	492,103
Government remittances	96,290	83,026
	<u>751,523</u>	<u>575,129</u>

### Note 5 Deferred Contributions

	Government	Other	2019	2018
	\$	\$	\$	\$
Balance, beginning	737,164	165,352	902,516	254,860
Received for designated purposes	756,336	387,103	1,143,439	1,412,602
Recognized as revenue	(799,478)	(439,416)	(1,238,894)	(764,946)
Balance, ending	<u>694,022</u>	<u>113,039</u>	<u>807,061</u>	<u>902,516</u>

The amounts included in deferred contributions are restricted for the provision of government-funded programs and services, as well as the provision of various other services through the houses managed by the Society.

# THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

## NOTES

For the year ended March 31, 2019

### Note 6 Mortgages Payable

	Current \$	Long-term \$	2019 \$	2018 \$
Coast Capital Savings Payable in monthly instalments of \$14,587 including principal and interest of 4.24% per annum, due February 15, 2023, secured by a first charge on 3340, 3350 and 3360 Fraser Street	100,032	1,725,055	1,825,087	1,921,200
Coast Capital Savings Payable in monthly instalments of \$3,071 including principal and interest of 3.08% per annum, due March 1, 2021, secured by a first charge on Miller Block	29,888	202,851	232,739	261,979
Peoples Trust Company Payable in monthly instalments of \$6,726 including principal and interest of 3.84% per annum, due November 1, 2023, secured by a first charge on 2411 West Railway Street	38,331	1,077,562	1,115,893	1,153,316
<b>Total mortgages payable</b>	<b>168,251</b>	<b>3,005,468</b>	<b>3,173,719</b>	<b>3,336,495</b>

During the year ended March 31, 2018, four mortgages that matured in November 2017 were fully repaid and one new mortgage was obtained.

# THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

## NOTES

For the year ended March 31, 2019

### Note 6 Mortgages Payable (continued)

Principal repayments of long-term debt required in the next 5 years, assuming that the debt is refinanced on similar terms at maturity, are:

	\$
2020	168,251
2021	175,312
2022	182,346
2023	189,133
2024	63,451
Thereafter	2,395,226
	<u>3,173,719</u>

### Note 7 Deferred Contributions for Property and Equipment

Deferred contributions related to property and equipment represent contributions received where the donor has restricted their usage to property and equipment purchased or constructed by the Society.

The changes in the deferred contributions balance for the year are as follows:

	2019 \$	2018 \$
Balance, beginning	1,029,556	1,072,376
Less: amounts amortized over service lives	(41,108)	(42,820)
Balance, ending	<u>988,448</u>	<u>1,029,556</u>

### Note 8 Forgivable Loans

Forgivable loans are reclassified as deferred contributions for property and equipment (Note 7) upon completion of the acquisition or construction of each related building project. The following is information pertaining to the loan history and loan balances per the respective lending agency:

During 2008, the Society entered into an agreement with the British Columbia Housing Management Commission ("BCHMC"). Under the terms of the agreement, BCHMC agreed to contribute up to \$1,018,000 for costs incurred in the purchase and renovation of Tims Manor. The loan is forgivable over a period of 25 years, commencing in the 11th year, provided that the Society meets certain conditions specified in the agreement. During the current year, \$40,720 (2018: \$Nil) was forgiven. As at March 31, 2019, the balance of the forgivable loan with BCHMC was \$977,280 (2018: \$1,018,000).



# THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

## NOTES

For the year ended March 31, 2019

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### **Note 8 Forgivable Loans (continued)**

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During 2005, the Society entered into an agreement with the Canada Mortgage and Housing Corporation ("CMHC"). Under the terms of the agreement, CMHC agreed to contribute up to \$336,000 for costs incurred in renovating the Miller Block apartments. The loan is forgivable over a period of 15 years, provided that the Society meets certain conditions specified in the agreement. During the current year, \$22,400 (2018: \$22,400) was forgiven. As at March 31, 2019, the balance of the forgivable loan with CMHC was \$48,533 (2018: \$70,933).

During 2009, the Society entered into an agreement with the CMHC. Under the terms of the agreement, CMHC agreed to contribute \$232,000, of which \$44,467 was received in 2009 and the balance of \$184,533 was received during 2010, for costs incurred in renovating the Tims Manor building. The amount is forgivable over a period of 15 years provided the Society meets certain conditions specified in the agreement. During the current year, \$15,467 (2018: \$15,467) was forgiven. As at March 31, 2019, the balance of the forgivable loan with CMHC was \$79,911 (2017: \$95,378).

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### **Note 9 Remuneration of Directors, Employees and Contractors**

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The *Societies Act* (British Columbia) requires the Society to disclose the remuneration paid to directors during the year and the remuneration paid to all employees and contractors whose remuneration during the year was at least \$75,000.

- a) During the year, the Society paid a total of \$1,022,167 to the 10 most highly remunerated individuals whose salaries and benefits were each greater than \$75,000.
- b) In accordance with the bylaws of the Society, no compensation was paid to any directors of the Society during the year.

# THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

## NOTES

For the year ended March 31, 2019

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### Note 10 Financial Instruments

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Items that meet the definition of a financial instrument include cash, grants and other receivables, marketable securities, payables and accruals, accrued wages, salaries and holiday pay, forgivable loans and mortgages payable.

The following is a summary of the significant financial instrument risks:

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to liquidity risk arising primarily from its payables and accruals, accrued wages, salaries and holiday pay, mortgages payable and forgivable loans.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society is exposed to credit risk in connection with its grants and other receivables.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

##### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society is exposed to currency risk from fluctuations in foreign exchange rates on its U.S. dollar denominated marketable securities, which include the following amounts, presented in Canadian dollars:

	2019	2018
	\$	\$
Marketable securities	130,078	120,294

These amounts are translated at the following year end rates at March 31:

U.S. dollar to Canadian dollar	1.3363	1.2894
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##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fair values of fixed rate financial instruments are subject to change, since fair values fluctuate inversely with changes in market interest rates. The cash flows related to floating rate financial instruments change as market interest rates change. The Society is exposed to interest rate risk with respect to its mortgages payable, which bear interest at fixed rates, and forgivable loans, which are non-interest bearing.

# THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

## NOTES

For the year ended March 31, 2019

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### **Note 10 Financial Instruments (continued)**

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#### **Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is exposed to other price risk related to its marketable securities.

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### **Note 11 Employee Future Benefits**

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The Society and its employees contribute to the Municipal Pension Plan (the "Plan"), a multi-employer defined benefit pension plan governed by the *Public Sector Pension Plans Act* (British Columbia). Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of the Plan funding. The most recent valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits. The next valuation will be as at December 31, 2018, with results available in fiscal year 2020.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligations, assets and costs to individual entities participating in the Plan.

During the year, the Society paid and expensed \$401,266 (2018: \$343,318) for the employer's share of contributions to the Plan.

**THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF  
BRITISH COLUMBIA**

Schedule 1

REVENUES

For the year ended March 31, 2019

	Operating Fund \$	Capital Fund \$	2019 \$	2018 \$
Provincial government	8,536,305	-	8,536,305	6,488,881
Federal government	3,349,256	-	3,349,256	2,886,499
Grants and other income	404,430	20,238	424,668	508,337
Metro Vancouver <sup>(1)</sup>	323,518	-	323,518	225,809
United Way of the Lower Mainland	47,007	-	47,007	11,932
Charitable gaming	12,667	-	12,667	3,863
	<b>12,673,183</b>	<b>20,238</b>	<b>12,693,421</b>	<b>10,125,321</b>

(1) Revenue earned in the amount of \$323,518 from April 1, 2018 to March 31, 2019 (\$225,809 from April 1, 2017 to March 31, 2018) was attributed to the HPS - Housing First Program in partnership with Metro Vancouver and the Federal Government of Canada.