

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

Vancouver, B.C.

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**FINANCIAL STATEMENTS**

March 31, 2016



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of The John Howard Society of the Lower Mainland of British Columbia, which comprise the balance sheet as at March 31, 2016, and the statement of revenues and expenditures, statement of changes in fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The John Howard Society of the Lower Mainland of British Columbia as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Report on Other Legal and Regulatory Requirements**

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

*Wolrige Mahon LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

August 17, 2016  
Vancouver, B.C.

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

## STATEMENT OF REVENUES AND EXPENDITURES

For the year ended March 31, 2016

	Operating Fund \$	Capital Fund \$	2016 \$	2015 \$
<b>Revenues, Schedule 1</b>	<b>8,310,645</b>	<b>19,800</b>	<b>8,330,445</b>	<b>6,985,930</b>
Property rental	90,080	701,464	791,544	615,803
	<u>8,400,725</u>	<u>721,264</u>	<u>9,121,989</u>	<u>7,601,733</u>
<b>Expenditures</b>				
<b>Staffing</b>				
Employee benefits	1,094,184	39,931	1,134,115	836,102
Salaries	4,301,486	-	4,301,486	3,649,970
Training and development	60,577	-	60,577	78,660
Travel	199,709	-	199,709	178,098
	<u>5,655,956</u>	<u>39,931</u>	<u>5,695,887</u>	<u>4,742,830</u>
<b>Operating</b>				
Accommodations	719,736	138,498	858,234	711,586
Client support	146,798	-	146,798	97,150
Food and supplies	166,985	-	166,985	147,675
Furnishings	22,974	4,231	27,205	55,834
Housing placement	52,478	-	52,478	57,846
Insurance	26,658	43,367	70,025	68,772
Interest	-	138,162	138,162	144,723
Programme needs	629,705	144,338	774,043	475,435
	<u>1,765,334</u>	<u>468,596</u>	<u>2,233,930</u>	<u>1,759,021</u>
<b>Administration</b>				
Advertising	44,539	-	44,539	7,046
Audit and banking	21,954	-	21,954	22,037
Board	13,303	-	13,303	20,754
Office and miscellaneous (recovery)	236,896	(2,319)	234,577	214,463
Purchased services	118,292	79,642	197,934	50,345
Telephone	59,286	-	59,286	51,227
Volunteer programme	-	86,913	86,913	73,416
	<u>494,270</u>	<u>164,236</u>	<u>658,506</u>	<u>439,288</u>
<b>Total expenditures</b>	<u>7,915,560</u>	<u>672,763</u>	<u>8,588,323</u>	<u>6,941,139</u>
<b>Excess of revenues over expenditures</b>				
before non-cash items	485,165	48,501	533,666	660,594
Amortization	-	(188,688)	(188,688)	(194,745)
Change in fair value of investments	(4,284)	-	(4,284)	21,183
Forgiveness of debt (Note 6)	-	37,867	37,867	37,867
Gain on disposal of equipment	-	1,232	1,232	-
<b>Excess (deficiency) of revenues over expenditures</b>	<u>480,881</u>	<u>(101,088)</u>	<u>379,793</u>	<u>524,899</u>

*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, 2016

	Operating Fund \$	Internally Restricted Funds \$	Capital Fund \$	2016 \$	2015 \$
Balances, beginning	116,207	1,168,084	2,891,182	4,175,473	3,650,574
Prior period adjustment	-	-	-	-	-
Prior period adjustment - prior years' transfers from operating fund to capital fund	215,929	-	(215,929)	-	-
Balances, beginning, as restated	332,136	1,168,084	2,675,253	4,175,473	3,650,574
Excess (deficiency) of revenues over expenditures	480,881	-	(101,088)	379,793	524,899
<b>Interfund transfers:</b>					
Purchase of property and equipment	(1,030,288)	-	1,030,288	-	-
Proceeds from disposal of property and equipment	7,500	-	(7,500)	-	-
Mortgage repayments	(166,563)	-	166,563	-	-
Excess of revenues over expenditures before non-cash items	48,501	-	(48,501)	-	-
Interest on restricted fund (Note 7)	(12,799)	12,799	-	-	-
Transfers (Note 7)	600,000	(600,000)	-	-	-
<b>Balances, ending</b>	<b>259,368</b>	<b>580,883</b>	<b>3,715,015</b>	<b>4,555,266</b>	<b>4,175,473</b>

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

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


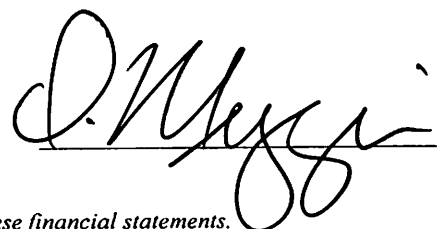
## BALANCE SHEET

March 31, 2016

	2016	2015
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash (Note 7)	1,154,075	1,708,331
Grants and other receivables	713,575	678,305
Prepaid expenses and deposits	71,092	38,740
	1,938,742	2,425,376
Investments	139,066	143,350
Property and equipment (Note 2)	8,645,611	7,810,279
	10,723,419	10,379,005
<b>Liabilities</b>		
<b>Current</b>		
Payables and accruals	212,172	313,779
Accrued wages, salaries and holiday pay (Note 3)	691,042	513,150
Accrued employee relations fund	42,633	45,024
Deferred contributions (Note 4)	291,710	196,553
Current portion of mortgages payable (Note 5)	460,936	482,903
Current portion of forgivable loans (Note 6)	37,867	37,867
	1,736,360	1,589,276
Mortgages payable (Note 5)	3,212,771	3,357,368
Forgivable loans (Note 6)	1,219,022	1,256,888
	6,168,153	6,203,532
<b>Fund Balances</b>		
Capital fund	3,715,015	2,675,253
Operating funds		
Internally restricted (Note 7)	580,883	1,168,084
Unrestricted surplus	259,368	332,136
	4,555,266	4,175,473
	10,723,419	10,379,005

*Contingencies (Note 9)*

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, 2016

	2016	2015
	\$	\$
<b>Cash flows related to operating activities</b>		
Excess of revenues over expenditures	379,793	524,899
Adjustments for items not affecting cash:		
Amortization	188,688	194,745
Forgiveness of debt	(37,867)	(37,867)
Change in fair value of investments	4,284	(21,183)
Gain on disposal of equipment	(1,232)	-
	<u>533,666</u>	<u>660,594</u>
Changes in non-cash working capital:		
Grants and other receivables	(35,270)	(204,627)
Prepaid expenses and deposits	(32,352)	3,919
Payables and accruals	(101,607)	134,001
Accrued wages, salaries and holiday pay	177,892	19,563
Accrued employee relations fund	(2,391)	10,905
Deferred contributions	95,157	(42,579)
	<u>635,095</u>	<u>581,776</u>
<b>Cash flows related to investing activities</b>		
Purchase of property and equipment	(1,030,288)	(152,952)
Proceeds on disposal of property and equipment	7,500	-
	<u>(1,022,788)</u>	<u>(152,952)</u>
<b>Cash flows related to financing activities</b>		
Mortgage repayments	(166,563)	(187,792)
	<u>(166,563)</u>	<u>(187,792)</u>
<b>Net increase (decrease) in cash</b>	<b>(554,256)</b>	<b>241,032</b>
Cash, beginning	1,708,331	1,467,299
<b>Cash, ending</b>	<b>1,154,075</b>	<b>1,708,331</b>
<b>Cash represented by:</b>		
Cash	573,192	540,247
Internally restricted cash	580,883	1,168,084
	<u>1,154,075</u>	<u>1,708,331</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, 2016

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The John Howard society of the Lower Mainland of British Columbia (the "Society") was incorporated in 1989 under the Society Act 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.

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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 funds is transferred to those funds.

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

#### 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 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.

#### 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.



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

## NOTES

For the year ended March 31, 2016

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### Note 1 Significant Accounting Policies (continued)

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#### **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 records 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.

#### **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.

#### **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. Actual results could differ from those estimates.

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

## NOTES

For the year ended March 31, 2016

### Note 2 Property and Equipment

	Cost \$	2016 Accumulated Amortization \$	Net \$	Cost \$	2015 Accumulated Amortization \$	Net \$
<b>Guy Richmond Place</b>						
Land	206,231	-	206,231	206,231	-	206,231
Building	507,480	507,480	-	507,480	507,480	-
	<u>713,711</u>	<u>507,480</u>	<u>206,231</u>	<u>713,711</u>	<u>507,480</u>	<u>206,231</u>
<b>Vancouver Apartments</b>						
Land	247,288	-	247,288	247,288	-	247,288
Building	130,035	44,109	85,926	130,035	40,528	89,507
	<u>377,323</u>	<u>44,109</u>	<u>333,214</u>	<u>377,323</u>	<u>40,528</u>	<u>336,795</u>
<b>Hobden House</b>						
Land	265,090	-	265,090	265,090	-	265,090
Building	199,318	79,502	119,816	199,318	74,509	124,809
	<u>464,408</u>	<u>79,502</u>	<u>384,906</u>	<u>464,408</u>	<u>74,509</u>	<u>389,899</u>
<b>Miller Block</b>						
Land	457,173	-	457,173	457,173	-	457,173
Building	2,179,158	813,780	1,365,378	2,179,158	756,889	1,422,269
	<u>2,636,331</u>	<u>813,780</u>	<u>1,822,551</u>	<u>2,636,331</u>	<u>756,889</u>	<u>1,879,442</u>
<b>Tims Manor</b>						
Land	211,869	-	211,869	211,869	-	211,869
Building	1,069,648	311,104	758,544	1,069,648	279,498	790,150
	<u>1,281,517</u>	<u>311,104</u>	<u>970,413</u>	<u>1,281,517</u>	<u>279,498</u>	<u>1,002,019</u>
<b>752 Kingsway</b>						
Land	126,142	-	126,142	126,142	-	126,142
Building	177,924	50,864	127,060	177,924	45,569	132,355
	<u>304,066</u>	<u>50,864</u>	<u>253,202</u>	<u>304,066</u>	<u>45,569</u>	<u>258,497</u>
<b>756 Kingsway</b>						
Land	70,180	-	70,180	70,180	-	70,180
Building	165,544	42,948	122,596	165,544	37,840	127,704
	<u>235,724</u>	<u>42,948</u>	<u>192,776</u>	<u>235,724</u>	<u>37,840</u>	<u>197,884</u>

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

## NOTES

For the year ended March 31, 2016

### Note 2 Property and Equipment (continued)

3350 Fraser Street						
Land	1,380,524	-	1,380,524	1,380,524	-	1,380,524
Building	1,764,499	84,263	1,680,236	764,072	61,046	703,026
	<u>3,145,023</u>	<u>84,263</u>	<u>3,060,760</u>	<u>2,144,596</u>	<u>61,046</u>	<u>2,083,550</u>
2411 West Railway						
Land	499,910	-	499,910	499,910	-	499,910
Building	920,276	89,112	831,164	920,276	54,480	865,796
	<u>1,420,186</u>	<u>89,112</u>	<u>1,331,074</u>	<u>1,420,186</u>	<u>54,480</u>	<u>1,365,706</u>
Equipment	243,045	211,645	31,400	238,310	204,387	33,923
Computer	111,678	87,166	24,512	105,564	77,971	27,593
Vehicles	52,292	17,771	34,521	52,005	23,265	28,740
Software	16,227	16,176	51	16,125	16,125	-
	<u>423,242</u>	<u>332,758</u>	<u>90,484</u>	<u>412,004</u>	<u>321,748</u>	<u>90,256</u>
	<u>11,001,531</u>	<u>2,355,920</u>	<u>8,645,611</u>	<u>9,989,866</u>	<u>2,179,587</u>	<u>7,810,279</u>

### Note 3 Accrued wages, salaries and holiday pay

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

	2016	2015
	\$	\$
Employee accruals	587,624	477,684
Government remittances	103,418	35,466
	<u>691,042</u>	<u>513,150</u>

### Note 4 Deferred Contributions

	Client Support	Other	Programs	2016	2015
	\$	\$	\$	\$	\$
Balance, beginning	54,154	23,755	118,644	196,553	239,132
Received for designated purposes	835	59,770	226,182	286,787	193,749
Recognized as revenue	(2,189)	(46,336)	(143,105)	(191,630)	(236,328)
Balance, ending	<u>52,800</u>	<u>37,189</u>	<u>201,721</u>	<u>291,710</u>	<u>196,553</u>

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

## NOTES

For the year ended March 31, 2016

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### Note 4 Deferred Contributions (continued)

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The amounts included in deferred contributions are restricted for the provision of client support and expenditures related to specific programs as well as internally restricted for the provision of various other services through the houses managed by the Society.

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### Note 5 Mortgages Payable

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	Current \$	Long-term \$	2016 \$	2015 \$
Coast Capital Savings Payable in monthly instalments of \$562 including principal and interest of 3.15% per annum, due November 1, 2017, secured by a first charge on Guy Richmond Place	4,058	83,592	87,650	91,576
Coast Capital Savings Payable in monthly instalments of \$3,373 including principal and interest of 3.15% per annum, due November 1, 2017, secured by a first charge on Guy Richmond Place	29,828	315,855	345,683	374,812
Coast Capital Savings Payable in monthly instalments of \$3,157 including principal and interest of 3.15% per annum, due November 1, 2017, secured by a first charge on Vancouver Apartments	22,770	470,432	493,202	515,231
Coast Capital Savings Payable in monthly instalments of \$3,296 including principal and interest of 4.50% per annum, due March 1, 2017, secured by a first charge on Miller Block	317,128	-	317,128	341,896
Coast Capital Savings Payable in monthly instalments of \$2,481 including principal and interest of 5.00% per annum, due April 1, 2015, secured by a first charge on 756 Kingsway	-	-	-	2,486

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

NOTES

For the year ended March 31, 2016

**Note 5 Mortgages Payable (continued)**

Coast Capital Savings				
Payable in monthly instalments of \$8,073 including principal and interest of 3.75% per annum, due November 1, 2017, secured by a first charge on 3350 Fraser Street	52,885	1,153,134	1,206,019	1,256,857
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	34,267	1,189,758	1,224,025	1,257,413
<b>Total mortgages</b>	<b>460,936</b>	<b>3,212,771</b>	<b>3,673,707</b>	<b>3,840,271</b>

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

	\$
2017	169,761
2018	176,105
2019	180,906
2020	188,808
2021	196,153
Thereafter	2,761,974
	<u>3,673,707</u>

**Note 6 Forgivable Loans**

	<b>2016</b>	<b>2015</b>
	\$	\$
British Columbia Housing Management Commission	1,018,000	1,018,000
Canada Mortgage and Housing Corporation	113,867	136,267
Canada Mortgage and Housing Corporation	125,022	140,488
	<u>1,256,889</u>	<u>1,294,755</u>

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

## NOTES

For the year ended March 31, 2016

### Note 6 Forgivable Loans (continued)

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. BCHMC paid \$18,000 in costs relating to the purchase of the apartments directly, with the balance of \$1,000,000 being received on December 6, 2007. 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 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. In fiscal 2006, the Society received a total contribution of \$285,600, with the balance of \$50,400 received on April 7, 2006. During the current year, \$22,400 (2015: \$22,400) was forgiven.

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 (2015: \$15,467) was forgiven.

### Note 7 Internally Restricted Funds

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	924,539
Transfer to Operating Fund	(600,000)
Interest earned	10,084
Balance, ending	<u>334,623</u>

The Sick Pay Fund balance consists of:

	\$
Balance, beginning	243,545
Interest earned	2,715
Balance, ending	<u>246,260</u>
Total internally restricted funds	<u>580,883</u>

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

## NOTES

For the year ended March 31, 2016

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### Note 8 Financial Instruments

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

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 investment. Financial instruments include the following amounts, presented in Canadian dollars, which are denominated in US dollars:

	2016	2015
	\$	\$
Investments	90,404	89,035

##### 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.

##### 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 investments in publicly traded securities.

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

## NOTES

For the year ended March 31, 2016

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### **Note 9 Contingencies**

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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, 2012 indicates an unfunded liability of \$811 million for basic pension benefits. The next valuation will be as at December 31, 2015, with results available in September 2016. The actuarial valuation does not attribute portions of the unfunded liability to individual employers. During the year, the Society paid and expensed \$270,692 (2015: \$218,133) for the employer's share of contributions to the Plan.

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### **Note 10 Subsequent Events**

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Subsequent to year end, the Society signed an agreement with Coast Capital Savings to finance the renovation to its Fraser Street property. The loan of \$500,000 is payable in monthly instalment of \$3,158 including principal and interest of prime plus 1.25%, due on demand, secured by a charge on 3350 Fraser Street.



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

Schedule I

REVENUES

For the year ended March 31, 2016

	Operating Fund \$	Capital Fund \$	2016 \$	2015 \$
Provincial Government	4,648,500	-	4,648,500	3,365,842
Federal Government	2,674,561	19,800	2,694,361	2,742,208
Grants and other income	941,458	-	941,458	797,650
United Way of Lower Mainland	32,727	-	32,727	47,151
Charitable Gaming	13,399	-	13,399	33,079
	<b>8,310,645</b>	<b>19,800</b>	<b>8,330,445</b>	<b>6,985,930</b>

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