

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

Vancouver, B.C.

FINANCIAL STATEMENTS

March 31, 2017



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, 2017, 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, 2017, 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 *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.

Wolrige Mahon LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

August 31, 2017
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, 2017

	Operating Fund \$	Capital Fund \$	2017 \$	2016 \$
Revenues, Schedule 1	8,875,949	19,800	8,895,749	8,123,652
Property rental	105,187	792,308	897,495	791,544
	8,981,136	812,108	9,793,244	8,915,196
Expenditures				
Staffing				
Employee benefits	1,034,898	34,885	1,069,783	1,100,916
Salaries	4,688,698	-	4,688,698	4,301,486
Training and development	52,887	-	52,887	60,577
Travel	199,261	-	199,261	199,709
	5,975,744	34,885	6,010,629	5,662,688
Operating				
Accommodations	836,428	189,656	1,026,084	854,476
Client support	121,808	-	121,808	146,798
Food and supplies	169,426	-	169,426	166,985
Furnishings	14,775	24,442	39,217	30,964
Housing placement	35,121	-	35,121	52,478
Insurance	45,159	39,579	84,738	70,025
Interest	-	142,696	142,696	138,162
Programme needs	876,062	167,288	1,043,350	773,038
	2,098,779	563,661	2,662,440	2,232,926
Administration				
Advertising	55,462	-	55,462	44,539
Audit and banking	22,412	-	22,412	21,954
Board	14,595	-	14,595	13,303
Office and miscellaneous	152,316	-	152,316	148,900
Purchased services	224,959	11,294	236,253	197,934
Telephone	67,157	-	67,157	59,286
	536,901	11,294	548,195	485,916
Total expenditures	8,611,424	609,840	9,221,264	8,381,530
Excess of revenues over expenditures				
before non-cash items	369,712	202,268	571,980	533,666
Amortization of property and equipment	-	(73,617)	(73,617)	(188,688)
Amortization of deferred capital				
contributions (Note 7)	-	44,605	44,605	46,463
Change in fair value of investments	20,013	-	20,013	(4,284)
Gain on disposal of equipment	-	-	-	1,232
Excess of revenues over expenditures	389,725	173,256	562,981	388,389

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, 2017

	Operating Fund \$	Internally Restricted Funds \$	Capital Fund \$	2017 \$	2016 \$
Balances, beginning, as previously reported	259,368	580,883	3,715,015	4,555,266	4,175,473
Prior period adjustment - amortization of deferred contributions for property and equipment (Note 14)	-	-	139,908	139,908	131,312
Balances, beginning, as restated	259,368	580,883	3,854,923	4,695,174	4,306,785
Excess of revenues over expenditures	389,725	-	173,256	562,981	388,389
Interfund transfers:					
Purchase of property and equipment	(1,763,662)	-	1,763,662	-	-
Loan advances	315,117	-	(315,117)	-	-
Excess of revenues over expenditures before non-cash items	202,268	-	(202,268)	-	-
Interest on restricted fund (Note 9)	(6,139)	6,139	-	-	-
Transfers (Note 9)	300,000	(300,000)	-	-	-
Balances, ending	(303,323)	287,022	5,274,456	5,258,155	4,695,174

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

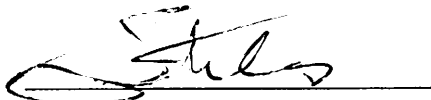

**THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF
BRITISH COLUMBIA**

BALANCE SHEET

March 31, 2017

	2017 \$	2016 \$
Assets		
Current		
Cash (Note 9)	396,865	1,154,075
Grants and other receivables	678,391	713,575
Prepaid expenses and deposits	25,765	71,092
	<u>1,101,021</u>	<u>1,938,742</u>
Marketable securities	159,079	139,066
Property and equipment (Note 2)	10,335,656	8,645,611
	<u>11,595,756</u>	<u>10,723,419</u>
Liabilities		
Current		
Payables and accruals	363,027	212,172
Accrued wages, salaries and holiday pay (Note 3)	624,285	691,042
Accrued employee relations fund	34,229	42,633
Deferred contributions (Note 4)	254,860	291,710
Demand loan (Note 5)	486,194	-
Current portion of mortgages payable (Note 6)	2,086,384	460,936
	<u>3,848,979</u>	<u>1,698,493</u>
Deferred contributions for property and equipment (Note 7)	1,072,376	1,116,981
Mortgages payable (Note 6)	1,416,246	3,212,771
	<u>6,337,601</u>	<u>6,028,245</u>
Fund Balances		
Capital fund	5,274,456	3,854,923
Operating funds		
Internally restricted (Note 9)	287,022	580,883
Unrestricted surplus (deficit)	(303,323)	259,368
	<u>5,258,155</u>	<u>4,695,174</u>
	<u>11,595,756</u>	<u>10,723,419</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, 2017

	2017 \$	2016 \$
Cash flows related to operating activities		
Excess of revenues over expenditures	562,981	388,389
Adjustments for items not affecting cash:		
Amortization of property and equipment	73,617	188,688
Amortization of deferred capital contributions	(44,605)	(46,463)
Change in fair value of investments	(20,013)	4,284
Gain on disposal of equipment	-	(1,232)
	<u>571,980</u>	<u>533,666</u>
Changes in non-cash working capital:		
Grants and other receivables	35,184	(35,270)
Prepaid expenses and deposits	45,327	(32,352)
Payables and accruals	150,855	(101,607)
Accrued wages, salaries and holiday pay	(66,757)	177,892
Accrued employee relations fund	(8,404)	(2,391)
Deferred contributions	(36,850)	95,157
	<u>691,335</u>	<u>635,095</u>
Cash flows related to investing activities		
Purchase of property and equipment	(1,763,662)	(1,030,288)
Proceeds on disposal of property and equipment	-	7,500
	<u>(1,763,662)</u>	<u>(1,022,788)</u>
Cash flows related to financing activities		
Demand loan advances	486,194	-
Mortgage repayments	(171,077)	(166,563)
	<u>315,117</u>	<u>(166,563)</u>
Net decrease in cash	(757,210)	(554,256)
Cash, beginning	1,154,075	1,708,331
Cash, ending	396,865	1,154,075
Cash represented by:		
Cash	109,843	573,192
Internally restricted cash	287,022	580,883
	<u>396,865</u>	<u>1,154,075</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, 2017

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.

Note 1 Significant Accounting Policies

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.

THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

NOTES

For the year ended March 31, 2017

Note 1 Significant Accounting Policies (continued)

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 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.

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, 2017

Note 1 Significant Accounting Policies (continued)

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, 2017

Note 2 Property and Equipment

	Cost \$	2017 Accumulated Amortization \$	Net \$	Cost \$	2016 Accumulated Amortization \$	Net \$
Guy Richmond Place						
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>
Vancouver Apartments						
Land	247,288	-	247,288	247,288	-	247,288
Building	130,035	47,546	82,489	130,035	44,109	85,926
	<u>377,323</u>	<u>47,546</u>	<u>329,777</u>	<u>377,323</u>	<u>44,109</u>	<u>333,214</u>
Hobden House						
Land	265,090	-	265,090	265,090	-	265,090
Building	199,318	84,294	115,024	199,318	79,502	119,816
	<u>464,408</u>	<u>84,294</u>	<u>380,114</u>	<u>464,408</u>	<u>79,502</u>	<u>384,906</u>
Miller Block						
Land	457,173	-	457,173	457,173	-	457,173
Building	2,179,158	868,395	1,310,763	2,179,158	813,780	1,365,378
	<u>2,636,331</u>	<u>868,395</u>	<u>1,767,936</u>	<u>2,636,331</u>	<u>813,780</u>	<u>1,822,551</u>
Tims Manor						
Land	211,869	-	211,869	211,869	-	211,869
Building	1,069,648	341,446	728,202	1,069,648	311,104	758,544
	<u>1,281,517</u>	<u>341,446</u>	<u>940,071</u>	<u>1,281,517</u>	<u>311,104</u>	<u>970,413</u>
752 Kingsway						
Land	126,142	-	126,142	126,142	-	126,142
Building	177,924	55,946	121,978	177,924	50,864	127,060
	<u>304,066</u>	<u>55,946</u>	<u>248,120</u>	<u>304,066</u>	<u>50,864</u>	<u>253,202</u>
756 Kingsway						
Land	70,180	-	70,180	70,180	-	70,180
Building	165,544	47,852	117,692	165,544	42,948	122,596
	<u>235,724</u>	<u>47,852</u>	<u>187,872</u>	<u>235,724</u>	<u>42,948</u>	<u>192,776</u>

THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

NOTES

For the year ended March 31, 2017

Note 2 Property and Equipment (continued)

3350 Fraser Street						
Land	1,380,524	-	1,380,524	1,380,524	-	1,380,524
Building	3,521,150	-	3,521,150	1,764,499	84,263	1,680,236
	<u>4,901,674</u>	<u>-</u>	<u>4,901,674</u>	<u>3,145,023</u>	<u>84,263</u>	<u>3,060,760</u>
2411 West Railway						
Land	499,910	-	499,910	499,910	-	499,910
Building	920,276	122,359	797,917	920,276	89,112	831,164
	<u>1,420,186</u>	<u>122,359</u>	<u>1,297,827</u>	<u>1,420,186</u>	<u>89,112</u>	<u>1,331,074</u>
Equipment	249,630	218,583	31,047	243,045	211,645	31,400
Computer	111,678	94,520	17,158	111,678	87,166	24,512
Vehicles	52,292	24,676	27,616	52,292	17,771	34,521
Software	16,653	16,440	213	16,227	16,176	51
	<u>430,253</u>	<u>354,219</u>	<u>76,034</u>	<u>423,242</u>	<u>332,758</u>	<u>90,484</u>
	<u>12,765,193</u>	<u>2,429,537</u>	<u>10,335,656</u>	<u>11,001,531</u>	<u>2,355,920</u>	<u>8,645,611</u>

Note 3 Accrued Wages, Salaries and Holiday Pay

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

	2017	2016
	\$	\$
Employee accruals	568,506	587,624
Government remittances	55,779	103,418
	<u>624,285</u>	<u>691,042</u>

Note 4 Deferred Contributions

	Client Support	Programs	Others	2017	2016
	\$	\$	\$	\$	\$
Balance, beginning	52,800	37,189	201,721	291,710	196,553
Received for designated purposes	-	95,831	223,797	319,628	286,787
Recognized as revenue	-	(91,484)	(264,994)	(356,478)	(191,630)
Balance, ending	<u>52,800</u>	<u>41,536</u>	<u>160,524</u>	<u>254,860</u>	<u>291,710</u>

THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

NOTES

For the year ended March 31, 2017

Note 4 Deferred Contributions (continued)

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.

Note 5 Demand Loan

The Society has a loan from Coast Capital Savings payable in monthly instalments of \$3,358 including principal and interest of 3.95% per annum, due on demand and secured by a first charge on 3350 Fraser Street. Subsequent to year end, the Society paid off the loan.

Note 6 Mortgages Payable

	Current \$	Long-term \$	2017 \$	2016 \$
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	83,614	-	83,614	87,650
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	315,184	-	315,184	345,683
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	470,559	-	470,559	493,202
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	27,918	262,500	290,418	317,128

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

NOTES

For the year ended March 31, 2017

Note 6 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	1,153,503	-	1,153,503	1,206,019
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	35,606	1,153,746	1,189,352	1,224,025
Total mortgages	<u>2,086,384</u>	<u>1,416,246</u>	<u>3,502,630</u>	<u>3,673,707</u>

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

	\$
2018	176,905
2019	181,385
2020	188,939
2021	195,909
2022	202,872
Thereafter	2,556,620
	<u>3,502,630</u>

THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

NOTES

For the year ended March 31, 2017

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:

	2017	2016
	\$	\$
Balance, beginning, as previously reported	-	-
Prior period adjustment - transfer from forgivable loans (Note 8)	1,116,981	1,163,444
	<hr/>	<hr/>
Balance, beginning, as restated	1,116,981	1,163,444
Less: amounts amortized to operations	(44,605)	(46,463)
	<hr/>	<hr/>
Balance, ending	1,072,376	1,116,981
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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. As at March 31, 2017, the balance of the forgivable loan with BCHMC was \$1,018,000 (2016: \$1,018,000).

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 (2016: \$22,400) was forgiven. As at March 31, 2017, the balance of the forgivable loan with CMHC was \$91,467 (2016: \$113,867).

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 (2016: \$15,467) was forgiven. As at March 31, 2017, the balance of the forgivable loan with CMHC was \$109,555 (2016: \$125,022).

THE JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

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For the year ended March 31, 2017

Note 9 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	334,623
Transfer to Operating Fund	(300,000)
Interest earned	3,323
	<hr/>
Balance, ending	37,946

The Sick Pay Fund balance consists of:

	\$
Balance, beginning	246,260
Interest earned	2,816
	<hr/>
Balance, ending	249,076
	<hr/>
Total internally restricted funds	287,022

Note 10 Remuneration of Directors, Employees and Contractors

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 \$954,309 to the ten highest paid individuals whose salaries and benefits were 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, 2017

Note 11 Financial Instruments

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, accrued employee relations fund 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, demand loan, 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:

	2017	2016
	\$	\$
These amounts are translated at the following year end rates at March 31:		
USD	1.3299	1.2987

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 demand loan and 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, 2017

Note 11 Financial Instruments (continued)

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.

Note 12 Employee Future Benefits

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 2019.

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 \$292,101 (2016: \$270,692) for employer's share of contributions to the Plan.

Note 13 Subsequent Events

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 JOHN HOWARD SOCIETY OF THE LOWER MAINLAND OF BRITISH COLUMBIA

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For the year ended March 31, 2017

Note 14 Prior Period Adjustment

During the year, it was noted that the accounting policy for recognizing forgivable loans was not in accordance with Canadian accounting standards for not-for-profit organizations. The forgivable loans were received for the purposes of acquiring and renovating certain buildings. As a result, the forgivable loans were reclassified as deferred contributions for property and equipment and is deferred and amortized to income on the same basis as the related depreciable property and equipment are amortized. The capital fund balance as at April 1, 2015 and 2016 have been increased by \$131,312 and \$139,908 respectively, representing the difference between straight line amortization of the forgivable loan over the life of the loan and the amortization based on the rate applicable to the related property and equipment. Correspondingly, the deferred contributions for property and equipment (previously categorized as forgivable loans) at March 31, 2016 decreased by \$139,908. For the year ended March 31, 2016, the amount recognized as amortization of deferred contributions for property and equipment (previously categorized as forgiveness of debt) increased by \$8,596.

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Schedule 1

REVENUES

For the year ended March 31, 2017

	Operating Fund \$	Capital Fund \$	2017 \$	2016 \$
Provincial Government	5,558,073	-	5,558,073	4,648,500
Federal Government	2,727,046	19,800	2,746,846	2,694,361
Grants and other income	561,273	-	561,273	734,665
United Way of Lower Mainland	9,556	-	9,556	32,727
Charitable Gaming	20,001	-	20,001	13,399
	8,875,949	19,800	8,895,749	8,123,652

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