

John Howard Society of Okanagan & Kootenay
Financial Statements
For the year ended March 31, 2024

| | Contents |
|---|-----------------|
| Independent Auditor's Report | 2 - 4 |
| Financial Statements | |
| Statement of Financial Position | 5 |
| Statement of Operations | 6 |
| Statement of Changes in Net Assets (Debt) | 7 |
| Statement of Cash Flows | 8 |
| Notes to Financial Statements | 9 - 17 |
| BC Housing Program Schedule (unaudited) | 18 |



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Independent Auditor's Report

To the Board of Directors of John Howard Society of Okanagan & Kootenay Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of John Howard Society of the Okanagan & Kootenay ("the Society"), which comprise the statement of financial position as at March 31, 2024, and the statement of operations, changes in net assets (debt) and 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 Society as at March 31, 2024, and its results of operations and 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 Society 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.

Other Matter

We draw attention to the fact that the supplementary information included in the BC Housing Program Schedule does not form part of the financial statements. We have not audited or reviewed this supplementary information and, accordingly, we do not express an opinion, a review conclusion or any other form of assurance on this supplementary information.



Responsibility of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society 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.

BDO Canada LLP

Chartered Professional Accountants

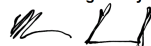
Kelowna, British Columbia
July 3, 2024

John Howard Society of Okanagan & Kootenay Statement of Financial Position

| March 31 | 2024 | 2023 |
|--|---------------|---------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents (Note 2) | \$ 3,231,706 | \$ 1,469,116 |
| Accounts receivable | 1,150,216 | 759,623 |
| Prepaid expenses | 135,519 | 56,466 |
| | 4,517,441 | 2,285,205 |
| Property and equipment (Note 3) | 9,455,708 | 9,415,473 |
| | \$ 13,973,149 | \$ 11,700,678 |
| Liabilities and Net Assets (Debt) | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 1,258,909 | \$ 893,773 |
| Current portion of long term debt (Note 4) | 3,359,478 | 266,163 |
| Deferred revenue (Note 5) | 785,621 | 322,686 |
| | 5,404,008 | 1,482,622 |
| Long term debt (Note 4) | 4,917,689 | 8,276,890 |
| Deferred capital contributions (Note 6) | 542,224 | 446,394 |
| | 10,863,921 | 10,205,906 |
| Net Assets (Debt) | | |
| Investment in property and equipment | 636,317 | 426,027 |
| Cardington and New Gate Housing (Note 7) | (642,123) | (728,613) |
| Replacement reserves (Note 8) | 420,968 | 408,975 |
| Properties reserve fund (Note 10) | 25,000 | - |
| Unrestricted net assets | 2,669,066 | 1,388,383 |
| | 3,109,228 | 1,494,772 |
| | \$ 13,973,149 | \$ 11,700,678 |

Approved on behalf of the Board:

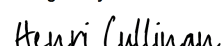
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Director

Signed by:



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Director

John Howard Society of Okanagan & Kootenay Statement of Operations

| For the year ended March 31 | 2024 | 2023 |
|--|---------------------|---------------------|
| Revenue | | |
| Subsidies | \$ 8,037,599 | \$ 7,023,058 |
| Contract income | 5,695,524 | 4,918,824 |
| Rental income | 1,218,438 | 1,175,435 |
| Grants | 346,874 | 259,505 |
| Other income | 133,448 | 244,013 |
| Interest income | 49,798 | 8,535 |
| Recognition of deferred capital contributions | 103,975 | 29,535 |
| | <u>15,585,656</u> | <u>13,658,905</u> |
| Expenses | | |
| Advertising and promotion | 6,813 | 2,964 |
| Bank charges and interest | 8,731 | 11,123 |
| Cleaning supplies | 126,038 | 169,262 |
| Conferences and workshops | 1,088 | 6,615 |
| Insurance | 128,132 | 111,275 |
| Interest on long term debt | 272,712 | 237,654 |
| Licenses, dues and fees | 11,008 | 10,524 |
| Office | 328,939 | 390,977 |
| Other housing | 21,738 | 16,390 |
| Other programs | 934,385 | 1,174,333 |
| Professional fees | 43,909 | 126,469 |
| Property taxes | 25,550 | 30,045 |
| Rental | 234,641 | 212,175 |
| Repairs and maintenance | 675,417 | 606,189 |
| Meals | 703,611 | 693,737 |
| Security | 124,478 | 60,107 |
| Telephone | 237,914 | 174,479 |
| Training | 44,049 | 25,507 |
| Travel | 163,122 | 176,791 |
| Utilities | 373,810 | 348,555 |
| Wages and benefits | 9,126,101 | 8,995,225 |
| | <u>13,592,186</u> | <u>13,580,396</u> |
| Excess of revenue over expenses before amortization and other items | 1,993,470 | 78,509 |
| Amortization | 379,014 | 255,071 |
| Excess (deficiency) of revenues over expenses | \$ 1,614,456 | \$ (176,562) |

John Howard Society of Okanagan & Kootenay
Statement of Changes in Net Assets (Debt)

| Net Assets | Investment in Property and Equipment | Cardington and New Gate Housing (Note 7) | Replacement Reserves (Note 8) | Properties Reserve Fund (Note 10) | Unrestricted Net Assets | Total 2024 | Total 2023 |
|--|--|--|-------------------------------------|--|----------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 426,027 | \$ (728,613) | \$ 408,975 | \$ - | \$ 1,388,383 | \$ 1,494,772 | \$ 1,579,916 |
| Adjustment for BC Housing subsidy repayment (Note 9) | - | - | - | - | - | - | 91,418 |
| | 426,027 | (728,613) | 408,975 | - | 1,388,383 | 1,494,772 | 1,671,334 |
| Excess (deficiency) of revenues over expenses | (379,014) | 342,031 | 1,024 | - | 1,650,415 | 1,614,456 | (176,562) |
| Recognition of deferred capital contributions (Note 6) | 103,975 | - | - | - | (103,975) | - | - |
| Approved expenditures from replacement reserves | - | 50,231 | (50,231) | - | - | - | - |
| Investment in property and equipment | | | | | | | |
| - Purchase of capital assets | 424,690 | - | - | - | (424,690) | - | - |
| - Assets purchased from deferred capital | (199,805) | - | - | - | 199,805 | - | - |
| - Disposals of capital assets | (5,440) | - | - | - | 5,440 | - | - |
| - Reduction of debt incurred to purchase capital assets | 265,884 | (244,572) | - | - | (21,312) | - | - |
| Interfund transfers | - | (61,200) | 61,200 | 25,000 | (25,000) | - | - |
| Balance, end of year | \$ 636,317 | \$ (642,123) | \$ 420,968 | \$ 25,000 | \$ 2,669,066 | \$ 3,109,228 | \$ 1,494,772 |

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

John Howard Society of Okanagan & Kootenay Statement of Cash Flows

| For the year ended March 31 | 2024 | 2023 |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Cash received from core operating grants | \$14,079,997 | \$ 12,201,387 |
| Cash received from other revenue sources | 1,424,227 | 864,122 |
| Cash paid to employees and suppliers | (13,024,391) | (13,059,733) |
| Interest paid | (281,443) | (248,777) |
| Interest received | 49,798 | 8,535 |
| | 2,248,188 | (234,466) |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (419,519) | (6,059) |
| Property and equipment paid for with deferred capital contributions | 199,805 | 6,059 |
| | (219,714) | - |
| Cash flows from financing activities | | |
| Principal repayment of long term debt | (265,884) | (264,980) |
| BC Housing subsidy adjustment | - | 91,418 |
| | (265,884) | (173,562) |
| Increase (decrease) in cash for the year | 1,762,590 | (408,028) |
| Cash, beginning of year | 1,469,116 | 1,877,144 |
| Cash, end of year | \$ 3,231,706 | \$ 1,469,116 |

John Howard Society of Okanagan & Kootenay Notes to Financial Statements

March 31, 2024

1. Summary of significant accounting policies

| | | | | | | | | | | | | | | | |
|----------------------------------|---|------|-------|-----------|--------------------------------|--------------------------|--------------------------|--------------------|---------------------------------|-------------------------|---------------------------------|------------------------|-------------------------|----------|---------------------------------|
| Nature of Business | The Society is incorporated under the laws of the British Columbia Societies Act and is a registered charity under the Income Tax Act. The Society provides programs, services and ongoing support to people who live with mental illness, developmental disabilities and/or who have been involved in the criminal justice system. The Society also provides shelter and affordable supportive housing for those in need. | | | | | | | | | | | | | | |
| Basis of Accounting | The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations. | | | | | | | | | | | | | | |
| Revenue Recognition | The Society follows the restricted fund method of accounting for contributions. Contributions received from the British Columbia Housing Management Commission ("BC Housing") for the Cardington and New Gate housing operations are recorded in the Housing Fund, including those specified for replacement reserves. Contributions received for the acquisition of property and equipment are recognized as revenue in the investment in property and equipment on the same basis as the underlying amortization expense. All other contributions are recognized as revenue in the appropriate fund in the year in which the related disbursements are incurred. Interest income earned is recognized as revenue in the appropriate fund in the period in which the investment income is earned. Restricted contributions for which no corresponding restricted fund is presented are recognized in accordance with the deferral method where they are deferred and recognized in the period the related expenditures are incurred. Rental and other service related revenues are recognized in the appropriate fund as they are earned and collection is reasonably assured. | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | Cash and cash equivalents consist of cash in bank and short term guaranteed investment certificates with maturity dates of less than one year. | | | | | | | | | | | | | | |
| Property and Equipment | Property and equipment is recorded at cost. Amortization is provided on a straight-lined and declining basis over the assets' estimated lives as follows: <table border="0" style="margin-left: 20px;"> <tr> <td>Land</td> <td>- Nil</td> </tr> <tr> <td>Buildings</td> <td>- 4% diminishing balance basis</td> </tr> <tr> <td>Buildings on leased land</td> <td>- 60 years straight line</td> </tr> <tr> <td>Computer equipment</td> <td>- 45% diminishing balance basis</td> </tr> <tr> <td>Furniture and equipment</td> <td>- 20% diminishing balance basis</td> </tr> <tr> <td>Leasehold improvements</td> <td>- 5 years straight line</td> </tr> <tr> <td>Vehicles</td> <td>- 30% diminishing balance basis</td> </tr> </table> | Land | - Nil | Buildings | - 4% diminishing balance basis | Buildings on leased land | - 60 years straight line | Computer equipment | - 45% diminishing balance basis | Furniture and equipment | - 20% diminishing balance basis | Leasehold improvements | - 5 years straight line | Vehicles | - 30% diminishing balance basis |
| Land | - Nil | | | | | | | | | | | | | | |
| Buildings | - 4% diminishing balance basis | | | | | | | | | | | | | | |
| Buildings on leased land | - 60 years straight line | | | | | | | | | | | | | | |
| Computer equipment | - 45% diminishing balance basis | | | | | | | | | | | | | | |
| Furniture and equipment | - 20% diminishing balance basis | | | | | | | | | | | | | | |
| Leasehold improvements | - 5 years straight line | | | | | | | | | | | | | | |
| Vehicles | - 30% diminishing balance basis | | | | | | | | | | | | | | |

John Howard Society of Okanagan & Kootenay Notes to Financial Statements

March 31, 2024

1. Summary of significant accounting policies (continued)

**Contributed Materials
and Services**

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported either at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument.

Replacement Reserves

There are two replacement reserves, one for Cardington and one for New Gate. The reserves have been established to fund future capital expenditures to the facility and equipment. Appropriations to and from reserve funds must be approved by BC Housing.

John Howard Society of Okanagan & Kootenay Notes to Financial Statements

March 31, 2024

2. Cash

The Society's cash holdings are held to fund the following:

| | 2024 | 2023 |
|--|--------------|--------------|
| Unrestricted cash | \$ 2,722,400 | \$ 890,470 |
| Restricted cash for Gaming - restorative justice | 48,478 | 126,299 |
| Externally restricted for replacement reserves | | |
| Cardington replacement reserve (Note 8) | 184,531 | 178,418 |
| New Gate replacement reserve (Note 8) | 276,297 | 273,929 |
| | \$ 3,231,706 | \$ 1,469,116 |

3. Property and equipment

| | 2024 | | 2023 | |
|--------------------------|--------------|-----------------------------|---------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land | \$ 548,970 | \$ - | \$ 548,970 | \$ - |
| Leased land | 2 | - | 2 | - |
| Buildings | 1,104,506 | 412,580 | 1,097,878 | 383,749 |
| Buildings on leased land | 10,410,184 | 2,557,099 | 10,410,184 | 2,379,611 |
| Computer equipment | 283,511 | 189,358 | 143,008 | 112,323 |
| Furniture and equipment | 213,746 | 72,096 | 138,836 | 75,572 |
| Leasehold improvements | 110,958 | 42,738 | 15,551 | 11,749 |
| Vehicles | 124,699 | 66,997 | 66,314 | 42,266 |
| | \$12,796,576 | \$ 3,340,868 | \$ 12,420,743 | \$ 3,005,270 |
| | | \$ 9,455,708 | | \$ 9,415,473 |

The leased land consists of two parcels of land located at 1436 St. Paul Street and 189 Rutland Road North, both leased from the City of Kelowna since July, 2006 and August, 2010 respectively, for consideration of \$1 for a 60 year term from the commencement of each lease.

John Howard Society of Okanagan & Kootenay Notes to Financial Statements

March 31, 2024

4. Long term debt

| | 2024 | 2023 |
|--|--------------|--------------|
| Peoples Trust mortgage payable with interest at 3.48% per annum, with monthly principal and interest payments of \$16,193.99, secured by specific land and buildings at the Cardington Apartments, maturing May 1, 2024. | \$ 2,762,570 | \$ 2,859,625 |
| RBC mortgage payable with interest at 6.79% per annum, with monthly principal and interest payments of \$3,328 secured by specific land and building at 1043 Harvey Avenue, maturing November 23, 2024. | 433,334 | 443,236 |
| RBC mortgage payable with interest at 3.36% per annum, with monthly principal and interest payments of \$1,686, secured by specific land and building at 2817 Springfield Road, maturing July 9, 2025. | 254,039 | 265,449 |
| Peoples Trust mortgage payable with interest at 2.82% per annum, with monthly principal and interest payments of \$23,738, secured by specific land and buildings at the New Gate Apartments, maturing March 1, 2032. | 4,827,224 | 4,974,743 |
| | 8,277,167 | 8,543,053 |
| Less: current portion | 3,359,478 | 266,163 |
| | \$ 4,917,689 | \$ 8,276,890 |

Principal repayments on long term debt for the next five years and thereafter are as follows:

| Year | Amount |
|------------|--------------|
| 2025 | \$ 3,359,478 |
| 2026 | 168,279 |
| 2027 | 173,121 |
| 2028 | 178,102 |
| 2029 | 183,226 |
| Thereafter | 4,214,961 |
| | \$ 8,277,167 |

John Howard Society of Okanagan & Kootenay Notes to Financial Statements

March 31, 2024

5. Deferred revenue

Deferred revenue consists of contracts and grants received to pay for expenditures relating to different programs provided by the Society. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made, and the obligations of the funding agreements are met.

| | 2024 | 2023 |
|-------------------------|------------|------------|
| Province of BC - Gaming | \$ 41,606 | \$ 62,700 |
| Other deferred revenue | 744,015 | 259,986 |
| | \$ 785,621 | \$ 322,686 |

6. Deferred capital contributions

| | 2024 | 2023 |
|----------------------------|------------|------------|
| Balance, beginning of year | \$ 446,394 | \$ 469,870 |
| Contributions | 199,805 | 6,059 |
| Revenue recognized | (103,975) | (29,535) |
| Balance, end of year | \$ 542,224 | \$ 446,394 |

Deferred capital contributions consists of contributions received from BC Housing in the form of reimbursement of costs directly related to the installation of a new HVAC unit in the Cardington apartment building and other deferred capital contributions received from funders.

7. Cardington and New Gate Housing

The Cardington and New Gate Housing fund reports the assets, liabilities, and results from operations related to the Cardington and New Gate houses.

John Howard Society of Okanagan & Kootenay Notes to Financial Statements

March 31, 2024

8. Replacement reserves

Under the terms of the agreement with BC Housing, the replacement reserve accounts are externally restricted by BC Housing and are to be credited in the amount determined by the budget provision per annum plus interest earned. These funds, along with accumulated interest must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canadian Deposit Insurance Corporation or the Credit Union Deposit Insurance Corporation; in investments in accordance with the Society Act or Municipal act, in investments guaranteed by a Canadian government, or in other investment instruments as agreed upon with BC Housing.

There are two replacement reserves, one for New Gate and one for Cardington. The annual amounts that are transferred to the New Gate and Cardington replacement reserves are \$35,280 and \$25,920 respectively. Approval from British Columbia Housing must be acquired in order to use these restricted funds for any purpose. In the current year, expenditures of \$50,231 (2023 - \$ Nil) were approved by British Columbia Housing as qualifying approved expenditures to be spent out of the replacement reserve.

| | Cardington Apartments | New Gate Apartments | Total 2024 | Total 2023 |
|---|--------------------------|------------------------|---------------|---------------|
| Balance, beginning of year | \$ 163,214 | \$ 245,761 | \$ 408,975 | \$ 342,668 |
| Annual transfer | 25,920 | 35,280 | 61,200 | 61,200 |
| Interest income | 415 | 609 | 1,024 | 5,107 |
| Approved expenditures | (18,959) | (31,272) | (50,231) | - |
| Balance, end of year | 170,590 | 250,378 | 420,968 | 408,975 |
| Cash restricted for replacement reserves (Note 2) | 184,531 | 276,297 | 460,828 | 452,347 |
| Over funded replacement reserve | \$ 13,941 | \$ 25,919 | \$ 39,860 | \$ 43,372 |

9. Subsidy assistance adjustments

BC Housing conducts an annual review of the financial statements and may adjust for any operation surplus or deficit of the prior year related to Cardington Apartments and New Gate Apartments. These adjustments occur and are accounted for as changes in the opening fund balances in the year the adjustment is communicated to the Society. In the current year, there was a subsidy repayment to (from) the Society of \$Nil (2023 - \$91,418). As the BC Housing review package for 2023 was not yet available as at the report date, no adjustment to the subsidy is reflected in these statements.

John Howard Society of Okanagan & Kootenay Notes to Financial Statements

March 31, 2024

10. Properties Reserve Fund

The Property Reserve Fund is an internally restricted fund maintained to cover future repair and maintenance or redevelopment costs related to the Society-owned properties.

The summary of transactions and balances in the fund are as follows:

| | 1033 Harvey | 1043 Harvey | Springfield Road | Total |
|------------------------|-------------|-------------|---------------------|-----------|
| Opening Balance | \$ - | \$ - | \$ - | \$ - |
| Current year transfers | 10,000 | 5,000 | 10,000 | 25,000 |
| Closing Balance | \$ 10,000 | \$ 5,000 | \$ 10,000 | \$ 25,000 |

11. Economic dependence

During the current year, the Society received subsidy payments for the Cardington Apartments, New Gate Apartments, and shelter and housing first projects totaling \$615,108 (2023 - \$580,788), \$688,501 (2023 - \$633,604), and \$6,733,990 (2023 - \$5,495,149) respectively, from the provincial government. The Society also receives government funding for several other short and long term programs.

Funding from BC Housing for the Cardington Apartments, New Gate Apartments, and shelter and housing first projects represent 4% (2023 - 4%), 4% (2023 - 5%), 43% (2023 - 40%) of the Society's total revenue for the year. During the year, the Society also received funding from Community Living BC in the amount of \$4,877,410 (2023 - \$3,960,284), representing 31% (2023 - 29%) of the Society's total revenue for the year.

The remainder of the funding received is from foundations and private sources. If these sources substantially curtail their funding, it would be of detriment to some programs which the Society operates. The Society is dependent on these funds to operate its other government funded housing projects in their present manner.

12. BC Society Act disclosure

The Societies Act (British Columbia) requires certain information to be reported with regards to remuneration of employees, contractors and directors. Included in wages and benefits on the Statement of Operations are twelve employees (2023 - four) with remuneration over \$75,000. The total salaries paid to these individuals for the year ended March 31, 2024 was \$1,047,316 (2023 - \$387,858). No honoraria were paid to members of the Board of Directors for the current year or the prior year.

John Howard Society of Okanagan & Kootenay Notes to Financial Statements

March 31, 2024

13. Commitments and contingencies

(a) Residential accommodation

The Society has a 60 year operating agreement with BC Housing to provide non-market residential accommodation at various residential locations for persons who are homeless, or at high risk of homelessness, due to various factors. The Society also has other operating agreements for properties such as Hearthstone, Stephen Village, and Samuel Place expiring between 2024 and 2027 with options to renew for 3-5 years. BC Housing agrees to provide subsidies to the Society for the difference between the tenant rent contribution and cost of operating the units, based on a budget approved by BC Housing for each location. The Society's main responsibilities are to manage and maintain the building, prepare an annual operating budget for approval by BC Housing, ensure sound financial management, enter into tenancy agreements with the tenants who meet the specifications contained in the agreement and provide specific support services where applicable.

(b) Legal Claims

There is an ongoing legal matter that has resulted in existing claims at year end, the outcome of which is not determinable at this time. Accordingly, no provision has been made in the financial statements for such claims. The amount of loss, if any, arising from ongoing litigation will be recorded in the financial statements in the period in which the loss is realized.

(c) Operating agreements

The Society has various commitments for leases or rent at various locations. The annual payment for the following five years is estimated as follows:

| | | |
|------|----|----------------|
| 2025 | \$ | 80,270 |
| 2026 | | 47,633 |
| 2027 | | 25,174 |
| 2028 | | 7,036 |
| 2029 | | <u>2,261</u> |
| | \$ | <u>162,374</u> |

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation

John Howard Society of Okanagan & Kootenay Notes to Financial Statements

March 31, 2024

15. Financial instrument risk

The Society holds various forms of financial instruments. The nature of these instruments and the Society's operations expose the Society to interest, credit and liquidity risks. The Society manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

Liquidity Risk

Liquidity risk is the risk that the Society encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Society will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and long term debt.

See Note 13 for further information on possible liquidity risk arising from the Society's commitments and contingencies.

Management has determined that the Society is not significantly exposed to liquidity risk given its strong operating cash flows and secured funding sources. There have been no changes from the previous year of policies, procedures and methods to measure the risk.

John Howard Society of Okanagan & Kootenay
BC Housing Program Schedule
(unaudited)

March 31, 2024

| | Cardington Surplus | Cornerstone Surplus | New Gate Surplus | Hearthstone Surplus | Samuel Place Surplus | Stephen's Village Surplus | Total 2024 | Total 2023 |
|---|-----------------------|------------------------|---------------------|------------------------|-------------------------|---------------------------------|---------------|---------------|
| Balance, beginning of year | \$ (371,187) | \$ 28,062 | \$ 6,180 | \$ 43,542 | \$ 54,884 | \$ 116,425 | \$ (122,094) | \$ 127,360 |
| BC Housing adjustment | - | - | - | - | - | - | - | 16,529 |
| 2023 adjustments to revenues and expenses | 369,027 | (85) | 12,059 | 7,422 | 1,100 | (3,303) | 386,220 | - |
| Subsidy Adjustment | - | - | - | - | - | - | - | 91,418 |
| Surplus Spent | - | - | - | - | - | - | - | (76,582) |
| Restated opening surplus | (2,160) | 27,977 | 18,239 | 50,964 | 55,984 | 113,122 | 264,126 | 158,725 |
| Excess (deficiency) of revenues over expenses | 34,399 | 253,255 | 7,869 | 52,064 | 23,921 | 44,127 | \$ 415,635 | (280,819) |
| Balance, end of year | \$ 32,239 | \$ 281,232 | \$ 26,108 | \$ 103,028 | \$ 79,905 | \$ 157,249 | \$ 679,761 | \$ (122,094) |

As at the date of these financial statements, the annual review from BC Housing was not yet available. The financial statements therefore do not include any BC Housing adjustments or subsidy repayments due to (from) the Society.