
Financial statements of Mission Services of London

March 31, 2021

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Independent Auditor's Report

To the Board of Directors of
Mission Services of London

Qualified Opinion

We have audited the financial statements of Mission Services of London (the "Organization"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenues, the (deficiency) excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Organization 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 qualified audit opinion.

Other Matter

The financial statements of the Organization for the year ended March 31, 2020 were audited by another accountant who expressed a similar qualified opinion on those statements on August 24, 2020.

Responsibilities of Management for the Financial Statements

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

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

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 GAAS 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 GAAS, 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 Organization'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 Organization'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 Organization 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.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants
May 29, 2021
London, Ontario

Mission Services of London
Statement of financial position
as at March 31, 2021

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash		2,744,209	983,554
Investments	4	1,159,548	1,039,799
Accounts receivable		603,829	254,820
Due from related party	5	15,000	—
Prepaid expenses		122,896	97,600
		4,645,482	2,375,773
Tangible capital assets	6	6,062,306	6,332,092
		10,707,788	8,707,865
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		779,984	764,496
Government remittances payable		60,133	58,502
Current portion of long-term debt	7	47,098	45,888
		887,215	868,886
Long-term debt	7	52,425	99,523
		939,640	968,409
Commitments	8		
Net assets			
Operating Fund		266,368	136,386
Property Fund		5,962,783	6,186,681
Restricted Funds		3,538,997	1,416,389
		9,768,148	7,739,456
		10,707,788	8,707,865

The accompanying notes to the financial statements are an integral part of this financial statement.

Approved by the Board

_____, Board President

_____, Treasurer

Mission Services of London

Statement of operations and changes in net assets

year ended March 31, 2021

Notes	Operating		Property		Restricted		Total
	2021	2020	2021	2020	2021	2020	2020
	\$	\$	\$	\$	\$	\$	\$
Revenue							
City of London	3,656,422	3,140,395	—	—	—	—	3,140,395
Provincial subsidy	1,542,042	1,467,105	—	—	—	—	1,467,105
Federal subsidy	1,791,067	43,620	—	—	—	—	43,620
Donations	2,000,446	2,849,668	—	—	2,541,428	756,882	3,606,550
Donations in Kind	31,707	—	—	—	—	—	—
Rental	346,980	159,270	—	—	—	—	159,270
Mission Store sales	644,260	700,383	—	—	—	—	700,383
Mission Store voucher program	74,767	216,198	—	—	—	—	216,198
Other	248,547	452,463	—	—	—	—	452,463
Investment gain	—	—	—	—	21,369	16,341	16,341
Loss on disposal of tangible capital assets	—	—	—	(7,869)	—	—	(7,869)
	10,336,238	9,029,102	—	(7,869)	2,562,797	773,223	9,794,456
Expenditures							
Salaries and benefits	6,926,267	5,951,942	—	—	—	—	5,951,942
Occupancy cost	1,195,995	1,117,936	—	—	—	—	1,117,936
Food	220,742	223,623	—	—	—	—	223,623
Office administration	541,717	504,301	—	—	—	—	504,301
Client and program	262,920	387,799	—	—	—	—	387,799
Promotional	776,543	735,297	—	—	—	—	735,297
Conferences, training and dues	72,455	53,841	—	—	—	—	53,841
Transportation	75,230	74,070	—	—	—	—	74,070
Property fund	—	—	—	—	—	—	—
Amortization of tangible capital assets	—	—	514,107	509,962	—	—	509,962
Restricted expenses	—	—	—	—	284,367	49,375	49,375
	10,071,869	9,048,809	514,107	509,962	284,367	49,375	9,608,146
Excess (deficiency) of revenues over expenditures	264,368	(19,707)	(514,107)	(517,831)	2,278,431	723,848	186,310
Net assets							
Balance, beginning of year	136,386	55,443	6,186,681	6,294,506	1,416,389	1,203,198	7,553,147
Transfers							
Due to/from Other Funds	—	(68,752)	—	47,560	—	21,191	(1)
Operating Fund	—	—	139,751	(97)	(5,365)	(169,305)	(169,402)
Property Fund	(139,751)	97	—	—	(150,458)	(362,543)	(362,446)
Restricted Funds	5,365	169,305	150,458	362,543	—	—	531,848
Balance, end of year	266,368	136,386	5,962,783	6,186,681	3,538,997	1,416,389	7,739,456

The accompanying notes to the financial statements are an integral part of this financial statement.

Mission Services of London

Statement of cash flows

year ended March 31, 2021

	2021	2020
	\$	\$
Operating activities		
Excess of revenues over expenditures	2,028,692	186,310
Items not requiring an outlay of cash		
Amortization of tangible capital assets	514,107	509,962
Loss on disposal of tangible capital assets	—	7,869
Changes in non-cash working capital		
Accounts receivable	(349,009)	98,213
Due (from) to related party	(15,000)	50
Prepaid expenses	(25,296)	(3,179)
Accounts payable and accrued liabilities	15,488	119,390
Government remittances receivable (payable)	1,631	(121,421)
	2,170,613	797,194
Financing activity		
Payments on long-term debt	(45,888)	(44,709)
Investing activities		
Purchase of tangible capital assets	(244,321)	(365,298)
Increase in investments	(119,749)	(384,774)
	(364,070)	(750,072)
Net change in cash	1,760,655	2,413
Cash, beginning of year	983,554	981,141
Cash, end of year	2,744,209	983,554

The accompanying notes to the financial statements are an integral part of this financial statement.

1. Nature of the organization

Mission Services of London (the "Organization") was incorporated without share capital and is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

Our mission is to actively respond to people experiencing need, affirm human dignity, and inspire hope. We do this at our five branches of service through programs including: safe emergency shelter for individuals and families with children, balanced meals, transition and shelter diversion support, live-in addiction treatment, mental health programming, and filling basic needs.

Mission Services of London was incorporated without share capital and is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

2. Significant accounting policies

(a) Basis of preparation

These financial statements are prepared by management in accordance with Canadian Accounting Standards for not-for-profit organizations.

(b) Cash

Cash consists of short-term bank balances.

(c) Fund accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the organization, the accounts are maintained in accordance with the principles of fund accounting. Under these principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund.

Operating Fund

The Operating Fund accounts for Mission Services of London's operating activities.

Property Fund

The Property Fund accounts for Mission Services of London's tangible capital assets.

Restricted Funds

The Restricted Funds are comprised of externally and internally restricted funds. Externally restricted funds account for donations made to Mission Services of London where the use of the donation has been restricted by the donor for a specified purpose. Internally restricted funds have been designated by the Board of Directors for a specified purpose.

2. Significant accounting policies (continued)

(d) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when Mission Services of London becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for investments, which are measured at fair value.

Interest, dividends, unrealized gains and losses and realized gains and losses are included in investment income in the statement of operations and changes in fund balances.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, Mission Services of London recognizes in the statement of operations an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

(e) Tangible capital assets and amortization

Tangible capital assets are recorded at cost and depreciated over their estimated useful lives. Depreciation is computed on a straight-line basis as follows:

Building – 40 years

Leasehold Improvements – 15 years

Furniture and equipment – 5 years

Computer equipment – 5 years

Vehicle – 5 years

(f) Revenue recognition

Mission Services of London follows the restricted fund method of accounting for contributions. Government funding and fees for board and lodging are recognized as revenue in the operating fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted donations are recognized as income when received. Where the donations are for a specific capital project, the donation is deferred and the revenue is recognized on a basis consistent with the amortization of the asset. Where the donations are externally restricted in use, the donation is recognized as income of the appropriate restricted fund. If there is not an appropriate restricted fund, the donation is deferred and recognized as the expenditures are incurred.

2. Significant accounting policies (continued)

(g) Revenue recognition (continued)

Investment income includes interest income, dividends, capital gains (losses) on the sale of securities and unrealized gains (losses) on securities. Investment income related to restricted funds is recorded as revenue in the respective fund.

Mission store revenue includes sales of used clothing and other donated goods. Sales revenue is recognized at the point of sale.

Mission store voucher program revenue and expenses are recorded at the time goods are provided to clients.

(h) Contributed materials and services

Volunteers contribute many hours per year to assist the organization in carrying out its activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

Donations received by the Mission Store and other non-receipted donations of gifts in kind are not recorded for accounting purposes as determination of fair value is not practical. Certain gifts in kind are recorded as both a donation and related expenses when a fair value is readily determinable and when the donated goods or services would otherwise have been purchased.

(i) Use of estimates

The preparation of the financial statements of the organization, 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the reporting period. Significant estimates include the amortization of tangible capital assets. Actual results could differ from those estimates.

(j) Government assistance

Government assistance is recognized when there is reasonable assurance that the Organization has complied and will continue to comply with all conditions of the assistance.

Government assistance toward current expenses is recognized in income for the period in revenue.

3. Restricted funds

(a) Externally restricted

Mission Services of London has several funds which are restricted by the donors as to how the funds may be used. They are as follows:

Replacement Reserve Funds

Entities that hold mortgage securities on properties owned by Mission Services of London require that adequate replacement reserves funds for these properties be maintained and used only for major repairs and replacements at Roger Smith Wing at Men's Mission. Such expenditures are authorized by the Board of Directors and require approval from the City of London Housing division. Building condition assessment reports are prepared by external consultants on a periodic basis and provide 40 year projections of capital expenditures. The Board uses these assessments and projections to determine the appropriate amount to set aside for capital replacement reserve funds.

3. Restricted funds (continued)

Special Projects Funds

Restricted to expenditures on projects as designated by the donors.

Alvin Roth Staff Development Fund

Restricted to expenditures related to the development of employees of Mission Services.

Spiritual Ministry Fund

Restricted to expenditures on books, training material, retreats and equipment.

Fred Hagglund Youth Bursary

Restricted to assist children and youth attend summer school camp or special recreational opportunity, assist with expenses related to children with special needs, and assist with the expenses related to youth entering college, university or a recognized training program.

Dr. Olive J. Stewart Minvestmeemorial Fund

Restricted to provide shelter, clothing, food and supplies where needed for guests that come to Rotholme, Men's Mission and Quintin Warner House.

(a) *Internally restricted*

Replacement Reserve Funds

The Board of Directors has established replacement reserve funds for all of its properties that do not have mortgages. Building condition assessment reports are prepared by external consultants on a periodic basis and provide 40 year projections of capital expenditures. The Board uses these assessments and projections to determine the appropriate amount to set aside for capital replacement reserve funds. These funds are administered on the same basis as the Externally Restricted Replacement Reserve Funds except that authorization for expenditure is solely by the Board of Directors.

During the year, the Board authorized the transfer of \$5,365 from Restricted Replacement Reserve Funds (\$169,305 in 2020) to the General Operating Fund.

During the year, the Board authorized the transfer of \$139,751 from the General Operating Funds (\$97 in 2020) to the Property Fund.

During the year, the Board authorized the transfer of \$150,458 from Restricted Replacement Reserve Funds (\$362,543 in 2020) to the Property Fund.

4. Investments

The organization's investments are valued at fair market value. The investments are comprised of different debt securities carrying a variety of terms and conditions, the values of which are allocated as follows:

	Cost	2021 Market	Cost	2020 Market
	\$	\$	\$	\$
Cash	419,040	419,040	284,780	285,123
Fixed income	650,000	651,300	650,000	651,272
Stewart fund Annuities	—	—	16,208	16,208
Mutual funds	89,328	89,209	87,931	87,196
	1,158,367	1,159,548	1,038,919	1,039,799

The amount shown in fixed income are GICs yielding interest from 1.93%- 2.08% per annum, with various due dates between 2022 – 2024. The mutual fund and bond investments are subject to market value fluctuations. The year-end market values include accrued interest on these investments.

5. Related party transactions

On April 13, 2000, the Mission Services of London Foundation ("the Foundation") was incorporated as a registered charity. Mission Services of London is related to the Foundation as the members of the Foundation are Directors of Mission Services of London. The Directors of the Foundation are corporate members of Mission Services of London who have been elected by the members of the Foundation.

During the year, a donation of \$632,244 (\$562,720 in 2021) was received from the Foundation. The Foundation also reimbursed Mission Services \$0 (\$132,271 in 2020) for expenditures paid on behalf of the Foundation.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed upon by the related parties.

At the end of the year, the amount due from related party is as follows:

	2021	2020
	\$	\$
Mission Services of London Foundation	15,000	—

Mission Services of London
Notes to the financial statements
March 31, 2021

6. Tangible capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
	\$	\$	\$	\$
Land	845,996	—	845,996	845,996
Building	8,555,618	4,156,611	4,399,007	4,585,058
Leasehold Improvements	422,433	140,636	281,797	309,960
Furniture and equipment	1,317,493	1,047,869	269,624	294,986
Computer equipment	596,739	374,948	221,791	231,680
Vehicle	101,609	57,519	44,090	64,412
	11,839,888	5,777,582	6,062,306	6,332,092

Amortization expense for the year amounted to \$514,107 (\$509,962 in 2020). When tangible capital assets are disposed of, the cost value of the assets and the related accumulated amortization are removed from the accounts and the resulting gain or loss on disposal is included in income.

7. Long-term debt

	2021	2020
	\$	\$
2.6% closed mortgage, secured by real property at 459 York Street, London, Ontario, payable to the Scotiabank in monthly installments of \$4,094 (principal and interest), due October 1, 2022.	99,523	145,411
Less: current portion	47,098	45,888
	52,425	99,523

The aggregate amount of principal payments required in future years to meet retirement provisions are as follows:

	\$
2022	47,098
2023	52,425
	99,523

8. Commitments

As at March 31, 2020, Mission Services of London is obligated under the following leases for rental of retail and office space, internet services and office equipment.

	\$
2022	497,929
2023	486,416
2024	483,102
2025	461,667
2026	454,827
	2,383,941

9. Dr. Olive J. Stewart Memorial Fund

The fund balance consists of:

	2021	2020
	\$	\$
Annuity	—	16,208

Annuity contract is for \$200,000 payable over 20 years at \$17,147 per year including interest income at 5.794%, maturing February 2021.

During fiscal 2021 \$0 (\$0 in 2020) was transferred out of the Stewart Memorial Fund into the General Operating Fund.

10. Employee pension plan

Mission Services of London makes contributions to a pension plan on behalf of its employees. The plan is a defined contribution plan which specifies employee contributions of 3.5% of earnings up to \$15,000 and 5% of earnings in excess of \$15,000. The employee contributions are matched by Mission Services of London. During the year, Mission Services of London made contributions of \$179,269 (\$176,395 in 2020).

11. Investment income

The organization's investment income consists of the following:

	2021	2020
	\$	\$
Realized gain on investments	427	—
Interest and dividends	20,942	16,341
	21,369	16,341

12. Financial instruments

Interest rate risk

The organization is exposed to interest rate risk, as the investment income earned and market value of investments are subject to fluctuation depending on prevailing market interest rates. Management addresses this risk through varying terms of investments to minimize fluctuations. Interest rates for marketable securities are disclosed in Note 4.

Market risk

The organization's investments in publicly-traded securities exposes the organization to price risks as equity investments are subject to price changes in an open market. The organization does not use derivative financial instruments to alter the effects of this risk.

Credit risk

The Organization collects balances from various governmental organizations in the normal course of its operations and due to the nature of the receivables, the Organization is exposed to minimal credit risk.

13. Financial instruments

Liquidity risk

Liquidity risk is the risk of being unable to meet a demand for cash or fund obligations as they come due. The Organization manages its liquidity risk by constantly monitoring forecasted and actual cash flow and financial liability maturities.

Accounts payable and accrued liabilities are generally paid within 30 days. There is no loan or other financial facility that contains covenant or demands of repayment.

14. Restrictions of net assets

Restricted Fund consists of the following:

	2021	2020
	\$	\$
Internally restricted		
Contingency Fund	1,404,489	
Board-restricted for major repairs	450,176	279,359
Externally restricted		
Board and City of London - restricted for major repairs	89,945	87,932
Donor-restricted for special projects and specified expenditures	1,594,387	1,049,098
	3,538,997	1,416,389

15. Government assistance

During the year, Mission Services received government assistance related to COVID-19. The Canada Emergency Wage Subsidy ("CEWS") is available to certain eligible employers who have experienced a decline in eligible revenue compared to a previous period (baseline revenue). Employers may be eligible to receive a wage subsidy if they meet certain criteria as determined by the Federal Government of Canada.

Included in the Operating Fund - Federal Subsidy for the year ended March 31, 2021 is \$1,713,715.76 of CEWS income.

16. Significant event

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

The operations of Mission Services were impacted by COVID-19 due to reduced customer demand in the industry, supply chain disruptions and increased government regulations.

The impact of COVID-19 has been partially offset by available government programs for which Mission Services was eligible. Mission Services has received wage subsidies as a result of meeting certain eligibility criteria. Further details of these programs is described in note 15 *government assistance*. Eligibility requirements under these programs have evolved since first announced and can be subject to changes in legislation or administrative positions, further, there is significant uncertainty of the period of time into the future that the government will continue these programs.

16. Significant event (continued)

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on Mission Services as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, and increased government regulations, all of which may negatively impact the business and financial condition of Mission Services.