
Financial Statements of Mission Services of London

March 31, 2023

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Independent Auditor's Report

To the Board of Mission Services of London:

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, 2023, and the statements of operations, 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.

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, 2023, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for 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, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 year ended March 31, 2022 was modified accordingly because of the possible effects of this scope limitation.

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 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 opinion.

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

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

In preparing the financial statements, management is responsible for assessing the 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.

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

London, Ontario

May 23, 2023

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Mission Services of London
Statement of financial position
as at March 31, 2023

	2023	2022
	\$	\$
Assets		
Current assets		
Cash	1,828,238	2,994,861
Investments (Note 4)	1,549,060	1,346,002
Accounts receivable	503,875	297,178
Due from related party (Note 5)	980,012	2,670
Prepaid expenses	156,447	134,029
	5,017,632	4,774,740
Tangible capital assets (Note 6)	6,160,259	5,800,293
	11,177,891	10,575,033
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,309,844	824,819
Government remittances payable	142,490	48,546
Current portion of long-term debt (Note 7)	4,106	52,425
	1,456,440	925,790
Long-term debt (Note 7)	—	—
	1,456,440	925,790
Commitments (Note 8)		
Net assets		
Operating Fund	2,307,086	266,369
Property Fund	6,156,153	5,747,868
Restricted Funds	1,258,212	3,635,006
	9,721,451	9,649,243
	11,177,891	10,575,033

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

Approved by the Board

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Allen Page

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, Board President

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, Treasurer

Mission Services of London
Statement of operations and changes in net assets
year ended March 31, 2023

Note	Operating		Property		Restricted		Total
	2023	2022	2023	2022	2023	2022	2022
	\$	\$	\$	\$	\$	\$	\$
Revenue							
City of London	3,182,863	3,081,027	—	—	—	—	3,081,027
Provincial subsidy	2,151,837	1,463,997	—	—	—	—	1,463,997
Federal subsidy	47,938	347,671	—	—	—	—	347,671
Donations	4,482,099	3,513,348	—	—	137,018	433,014	3,946,362
Donations in Kind	371,310	323,671	—	—	—	—	323,671
Rental	341,383	329,026	—	—	—	—	329,026
Mission Store sales	975,583	814,030	—	—	—	—	814,030
Mission Store voucher program	167,814	96,208	—	—	—	—	96,208
Other	206,602	218,221	—	—	—	—	218,221
Investment gain	—	—	—	—	30,049	9,494	9,494
Gain on disposal of tangible capital assets	—	—	499	—	—	—	—
	11,927,429	10,187,199	499	—	167,067	442,508	10,629,707
Expenditures							
Salaries and benefits	7,289,364	6,535,908	—	—	—	—	6,535,908
Occupancy cost	1,362,897	1,217,609	—	—	—	—	1,217,609
Food	712,541	586,273	—	—	—	—	586,273
Office administration	631,944	555,210	—	—	—	—	555,210
Client and program	467,103	328,015	—	—	—	—	328,015
Promotional	798,889	809,281	—	—	—	—	809,281
Conferences, training and dues	86,903	41,359	—	—	—	—	41,359
Transportation	58,498	84,771	—	—	—	—	84,771
Amortization of tangible capital assets	—	—	560,098	493,454	—	—	493,454
Restricted expenses	—	—	—	—	54,550	96,732	96,732
	11,408,139	10,158,426	560,098	493,454	54,550	96,732	10,748,612
Excess (deficiency) of revenues over expenditures	519,290	28,773	(559,599)	(493,454)	112,517	345,776	(118,905)
Net assets							
Balance, beginning of year	266,369	266,368	5,747,868	5,962,783	3,635,006	3,538,997	9,768,148
Transfers							
Operating Fund	—	—	140,301	94,391	(1,661,728)	(65,619)	28,772
Property Fund	(140,301)	(94,391)	—	—	(827,583)	(184,148)	(278,539)
Restricted Funds	1,661,728	65,619	827,583	184,148	—	—	249,767
Balance, end of year	2,307,086	266,369	6,156,153	5,747,868	1,258,212	3,635,006	9,649,243

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, 2023

	2023	2022
	\$	\$
Operating activities		
Excess of revenues over expenditures	72,208	(118,905)
Items not requiring an outlay of cash		
Amortization of tangible capital assets	560,098	493,454
Gain on disposal of tangible capital assets	(499)	—
Changes in non-cash working capital		
Accounts receivable	(206,697)	306,651
Due from related party	(977,342)	12,330
Prepaid expenses	(22,418)	(11,133)
Accounts payable and accrued liabilities	485,026	44,835
Government remittances payable	93,944	(11,587)
	4,320	715,645
Financing activity		
Payments on long-term debt	(48,319)	(47,098)
Investing activities		
Purchase of tangible capital assets	(920,064)	(231,442)
Proceeds on disposal of tangible capital assets	499	—
Increase in investments	(203,058)	(186,454)
	(1,122,623)	(417,896)
Net change in cash	(1,166,623)	250,652
Cash, beginning of year	2,994,861	2,744,209
Cash, end of year	1,828,238	2,994,861

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

Mission Services of London
Notes to the financial statements
March 31, 2023

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.

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.

Mission Services of London
Notes to the financial statements
March 31, 2023

2. Significant accounting policies (continued)

(d) Financial instruments

a. Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

Related party financial instruments are measured at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost, except for bonds, common shares and other marketable securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, accounts receivable and due from related party. Financial assets measured at fair value include mutual funds. GIC investments are measured at cost plus accrued interest, which approximates fair market value.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

b. Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;
- the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

Mission Services of London
Notes to the financial statements
March 31, 2023

2. Significant accounting policies (continued)

(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.

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.

(g) 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 certain donations of gifts in kind are not recorded for accounting purposes as determination of fair value is not practical.

(h) 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.

Mission Services of London
Notes to the financial statements
March 31, 2023

2. Significant accounting policies (continued)

(i) *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.

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 Memorial Fund

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

Mission Services of London
Notes to the financial statements
 March 31, 2023

3. Restricted funds (continued)

(b) *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 \$1,661,728 from Restricted Replacement Reserve Funds (\$65,619 in 2022) to the General Operating Fund. At March 31, 2023, there was a \$363,615 (\$Nil in 2022) payable from the General Operating Fund to the Restricted Replacement Reserve Funds.

During the year, the Board authorized the transfer of \$140,301 from the General Operating Funds (\$94,391 in 2022) to the Property Fund.

During the year, the Board authorized the transfer of \$827,583 from Restricted Replacement Reserve Funds (\$184,148 in 2022) 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	2023 Market	Cost	2022 Market
	\$	\$	\$	\$
Cash	887,680	894,128	791,786	791,786
Fixed income	550,000	551,691	450,000	450,907
Mutual funds	111,112	103,241	109,548	103,309
	1,548,792	1,549,060	1,351,334	1,346,002

The amount shown in fixed income are GICs yielding interest from 1.96% - 4.27% per annum, with various due dates between 2024 - 2028. 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 \$1,000,000 (\$116,000 in 2022) was received from the Foundation. The Foundation also reimbursed Mission Services \$Nil (\$Nil in 2022) for expenditures paid on behalf of the Foundation.

Mission Services of London
Notes to the financial statements
 March 31, 2023

5. Related party transactions (continued)

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:

	2023	2022
	\$	\$
Mission Services of London Foundation	980,012	2,670

6. Tangible capital assets

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
	\$	\$	\$	\$
Land	845,996	—	845,996	845,996
Building	9,104,435	4,635,410	4,469,025	4,189,352
Leasehold Improvements	422,433	196,960	225,473	253,635
Furniture and equipment	1,710,001	1,271,776	438,225	269,273
Computer equipment	745,664	573,196	172,468	218,267
Vehicle	101,609	92,537	9,072	23,769
	12,930,138	6,769,879	6,160,259	5,800,293

Amortization expense for the year amounted to \$545,454 (\$493,454 in 2022). 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

	2023	2022
	\$	\$
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 April 1, 2023.	4,106	52,425
Less: current portion	4,106	52,425
	-	-

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

	\$
2024	4,106

Mission Services of London
Notes to the financial statements
 March 31, 2023

8. Commitments

As at March 31, 2023, Mission Services of London is obligated under the following leases for rental of retail and office space, internet services and office equipment.

	\$
2024	514,842
2025	454,637
2026	455,615
2027	501,771
2028	501,628
	<u>2,428,493</u>

9. 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 \$193,060 (\$172,609 in 2022).

10. Investment income

The organization's investment income consists of the following:

	2023 \$	2022 \$
Realized gain (loss) on investments	(494)	148
Interest and dividends	30,543	9,346
	<u>30,049</u>	<u>9,494</u>

11. 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.

Mission Services of London
Notes to the financial statements
 March 31, 2023

11. Financial instruments (continued)

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.

12. Restrictions of net assets

Restricted Fund consists of the following:

	2023	2022
	\$	\$
Internally restricted		
Contingency Fund	904,489	1,404,489
Board-restricted for major repairs	(759,525)	111,993
Externally restricted		
Board and City of London - restricted for major repairs	74,815	85,603
Donor-restricted for special projects and specified expenditures		
	1,038,434	2,032,922
	1,258,213	3,635,006

13. Government assistance

In the previous 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.

The Canada Emergency Rent Subsidy ("CERS") 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 subsidy to cover part of their commercial rent of property expenses.

Included in the Operating Fund - Federal Subsidy for the year ended March 31, 2023 is \$Nil (2022 - \$314,169) of CEWS income and \$Nil (2022 - \$45,323) of CERS income.