

Financial statements of

Mission Services of London

March 31, 2017

Mission Services of London

March, 31 2017

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Independent Auditor's Report

To the Board of Directors of
Mission Services of London

We have audited the accompanying financial statements of Mission Services of London, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and changes in net assets and 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Mission Services of London derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these donations and fundraising receipts was limited to the amounts recorded in the records of Mission Services of London and we were not able to determine whether any adjustments might be necessary to revenues, the excess (deficiency) of revenues over expenses, and cash flows from operations for the year ended March 31, 2017 and current assets and net assets as at March 31 2017 and 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Mission Services of London as at March 31, 2017, 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.


Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 22, 2017

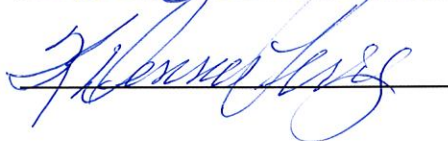
Mission Services of London
Statement of financial position
as at March 31, 2017

	2017	2016
	\$	\$
Assets		
Current assets		
Cash	213,223	877,875
Investments (Note 4)	582,050	1,103,553
Accounts receivable	494,457	481,919
Due from related party (Note 5)	16,025	-
Prepaid expenses	110,566	61,687
	1,416,321	2,525,034
Tangible capital assets (Note 6)	7,087,719	7,207,193
	8,504,040	9,732,227
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	512,598	903,536
Government remittances payable	59,308	23,661
Due to related party (Note 5)	-	553,700
Deferred contributions (Note 7)	18,849	-
Current portion of long-term debt (Note 8)	274,389	37,740
	865,144	1,518,637
Long-term debt (Note 8)	-	274,389
	865,144	1,793,026
Commitments (Note 9)		
Net assets		
Operating Fund	259,012	248,630
Property Fund	6,685,037	6,807,423
Restricted Funds	694,847	883,148
	7,638,896	7,939,201
	8,504,040	9,732,227

Approved by the Board



Director



Director

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

Mission Services of London

Statement of operations and changes in net assets
year ended March 31, 2017

	Operating Fund			Property Fund			Restricted Funds			Totals	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
Revenue											
City of London	2,918,983	2,666,693	-	-	-	-	-	-	2,918,983	2,666,693	
Provincial subsidy	1,665,360	1,678,396	-	-	-	-	-	-	1,665,360	1,678,396	
Federal subsidy	79,365	117,534	-	-	-	-	-	-	79,365	117,534	
Donations	3,011,581	2,586,135	27,426	3,381	95,508	131,930	3,134,515	2,721,446	3,134,515	2,721,446	
Rental	230,023	223,490	-	-	-	-	230,023	223,490	230,023	223,490	
Mission Store sales	375,063	188,464	-	-	-	-	375,063	188,464	375,063	188,464	
Mission Store voucher program	382,415	425,993	-	-	-	-	382,415	425,993	382,415	425,993	
Other	138,850	141,258	-	-	-	2,242	138,850	143,500	138,850	143,500	
Investment gain(loss) (Note 12)	-	-	-	-	18,702	(74,344)	18,702	(74,344)	18,702	(74,344)	
	8,801,640	8,027,963	27,426	3,381	114,210	59,828	8,943,276	8,091,172	8,943,276	8,091,172	
Expenditures											
Salaries and benefits	5,896,116	5,539,972	-	-	-	-	5,896,116	5,539,972	5,896,116	5,539,972	
Occupancy cost	877,745	524,360	-	-	-	-	877,745	524,360	877,745	524,360	
Food	309,848	286,912	-	-	-	-	309,848	286,912	309,848	286,912	
Office administration	351,903	318,793	-	-	-	-	351,903	318,793	351,903	318,793	
Client and program	538,098	541,642	-	-	-	-	538,098	541,642	538,098	541,642	
Promotional	721,788	644,186	-	-	-	-	721,788	644,186	721,788	644,186	
Conferences, training and dues	64,956	56,345	-	-	-	-	64,956	56,345	64,956	56,345	
Transportation	64,190	58,790	-	-	-	-	64,190	58,790	64,190	58,790	
Property fund	-	-	7,258	1,798	-	-	7,258	1,798	7,258	1,798	
Amortization of tangible capital assets	-	-	371,180	291,759	-	-	371,180	291,759	371,180	291,759	
Restricted expenses	-	-	-	-	40,499	72,148	40,499	72,148	40,499	72,148	
	8,824,644	7,971,000	378,438	293,557	40,499	72,148	9,243,581	8,336,705	9,243,581	8,336,705	
Excess (deficiency) of revenues over expenditures	(23,004)	56,963	(351,012)	(290,176)	73,711	(12,320)	(300,305)	(245,533)	(300,305)	(245,533)	
Net assets											
Balance, beginning of year	248,630	215,594	6,807,423	6,103,194	883,148	1,865,946	7,939,201	8,184,734	7,939,201	8,184,734	
Transfers	-	-	-	44,882	(33,386)	(20,955)	(33,386)	23,927	(33,386)	23,927	
Operating Fund	-	(44,882)	-	-	(228,626)	(949,523)	(228,626)	(994,405)	(228,626)	(994,405)	
Property Fund	33,386	20,955	228,626	949,523	-	-	262,012	970,478	262,012	970,478	
Restricted Funds	259,012	248,630	6,685,037	6,807,423	694,847	883,148	7,638,896	7,939,201	7,638,896	7,939,201	
Balance, end of year											

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, 2017

	2017	2016
	\$	\$
Operating activities		
Excess of revenues over expenditures	(300,305)	(245,533)
Items not requiring an outlay of cash		
Amortization of tangible capital assets	371,180	291,759
Unrealized loss on investments	-	170,647
Changes in non-cash working capital		
Accounts receivable	(12,538)	195,729
Due from related party	(16,025)	-
Prepaid expenses	(48,879)	(10,180)
Accounts payable and accrued liabilities	(390,938)	392,419
Government remittances payable	35,647	(37,435)
Deferred Revenues	18,849	-
Due to related party	(553,700)	553,700
	(896,709)	1,311,106
Financing activity		
Payments on long-term debt	(37,740)	(35,922)
Investing activities		
Purchase of tangible capital assets	(251,706)	(1,002,315)
(Increase) decrease in investments	521,503	255,211
	269,797	(747,104)
Net (decrease) increase in cash	(664,652)	528,080
Cash, beginning of year	877,875	349,795
Cash, end of year	213,223	877,875

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, 2017

1. Nature of the organization

Mission Services of London is a Christian faith-based social service agency with a focus on serving those in the City of London who struggle with poverty and homelessness by providing food, shelter, clothing, crisis intervention and rehabilitation.

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.

(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.

Mission Services of London

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

With respect to financial assets measured at cost or amortized cost, Mission Services of London recognizes in net earnings 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.

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

Mission Services of London

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

(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 capital asset and allowance for doubtful accounts. Actual results could differ from those estimates.

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, 2017

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 \$33,386 from Restricted Funds (2016 \$20,955) to the General Operating Fund.

During the year, the Board authorized the transfer of \$nil from the Contingency Fund (2016 \$636,855) to the General Operating Fund.

During the year, the Board authorized the transfer of \$nil from the General Operating Fund (2016 \$44,382) to the property fund.

During the year, the Board authorized the transfer of \$228,626 from Restricted Replacement Reserve Funds (2016 \$312,668) 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:

	2017		2016	
	Cost	Market	Cost	Market
	\$	\$	\$	\$
Cash	89,117	91,112	254,630	255,052
Fixed income	300,000	301,843	616,963	622,037
Stewart fund Annuities	59,697	59,697	98,083	98,083
Mutual funds	129,725	129,398	126,459	128,381
	578,539	582,050	1,096,135	1,103,553

The amount shown in fixed income are term deposits and GIC's yielding interest ranging from 2.25% to 2.75% per annum.

The mutual fund and bond investments are subject to market value fluctuations. The year-end market values include accrued interest on these investments.

Mission Services of London

Notes to the financial statements

March 31, 2017

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 \$809,882 (2016 - \$305,889) was received from the Foundation. The Foundation also reimbursed Mission Services \$117,015 (2016 - \$102,111) 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 to related party is as follows:

	2017	2016
	\$	\$
Mission Services of London Foundation	-	553,700

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

	2017	2016
	\$	\$
Mission Services of London Foundation	16,025	-

6. Tangible capital assets

	Cost	Accumulated Amortization	2017 Net book value	2016 Net book value
	\$	\$	\$	\$
Land	905,996	-	905,996	905,996
Building	8,683,548	3,452,848	5,230,700	5,994,950
Leasehold Improvements	421,485	28,099	393,386	-
Furniture and equipment	929,089	468,167	460,922	182,358
Computer equipment	277,435	199,780	77,655	97,205
Vehicle	38,120	19,060	19,060	26,684
	11,255,673	4,167,954	7,087,719	7,207,193

Amortization expense for the year amounted to \$371,180 (2016 - \$291,759). 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.

Mission Services of London

Notes to the financial statements

March 31, 2017

7. Deferred contributions

Deferred contributions represent operating revenues for future periods. These operating revenues are recognized in the same period as the related operating expenses. The changes in the deferred contributions balance for the year are as follows.

	2017	2016
	\$	\$
Balance represented by		
Sponsorship for event to be held in next fiscal	5,000	-
Rental income for the following fiscal	372	-
Deferred contributions for transportation costs	13,477	-
	<u>18,849</u>	<u>-</u>

8. Long-term debt

	2017	2016
	\$	\$
4.998% closed mortgage, secured by real property at 459 York Street, London, Ontario, payable to the Scotiabank in monthly installments of \$4,361 (principal and interest), due October 1, 2017.	274,389	312,129
Less: current portion	274,389	37,740
	<u>-</u>	<u>274,389</u>

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

	\$
2018	<u>274,389</u>

9. Commitments

As at March 31, 2017, Mission Services of London is obligated under the following leases for rental of retail and office space, internet services and office equipment.

	\$
2018	414,124
2019	417,629
2020	395,759
2021	393,284
2022	434,660
	<u>2,055,456</u>

Mission Services of London

Notes to the financial statements

March 31, 2017

10. Dr. Olive J. Stewart Memorial Fund

The fund balance consists of:

	2017	2016
	\$	\$
<u>Annuity</u>	<u>59,697</u>	<u>98,083</u>

Annuity contract is for \$200,000 payable over 20 years at \$38,386 per year including interest income at 5.794%, maturing February 2021.

During fiscal 2017, \$38,386 (2016 \$44,232) was transferred out of the Stewart Memorial Fund into the General Operating Fund.

11. 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 \$172,153 (2016 - \$164,712).

12. Investment income

The organization's investment income consists of the following:

	2017	2016
	\$	\$
Realized gains on investments	85	44,653
Interest and dividends	18,617	33,413
Unrealized loss on investments	-	(152,410)
	<u>18,702</u>	<u>(74,344)</u>

13. 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 the Local Health Integration Network and the City of London 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, 2017

13. 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.

14. Restrictions of net assets

Restricted Fund consists of the following:

	2017	2016
	\$	\$
Internally restricted		
Board-restricted for major repairs	260,335	402,142
Externally restricted		
Board and City of London - restricted for major repairs	134,134	152,612
Donor-restricted for special projects and specified expenditures	300,376	328,394
	<u>694,845</u>	<u>883,148</u>

15. Subsequent Events

Disposal of Property

The property at 415 Hamilton Road was sold on May 2017. The sale price exceeded the NBV of \$255,891.