

Financial statements of

**Mission Services of London**

March 31, 2016

# Mission Services of London

March, 31 2016

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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, 2016, 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, 2016 and current assets and net assets as at March 31 2016 and 2015.

### **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, 2016, 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

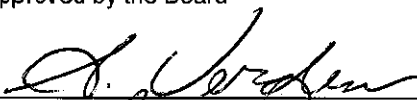
Chartered Professional Accountants  
Licensed Public Accountants  
July 8, 2016

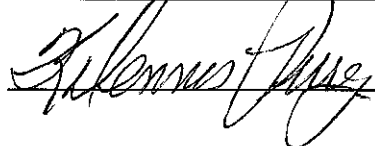
# Mission Services of London

## Statement of financial position as at March 31, 2016

	2016	2015
	\$	\$
<b>Assets</b>		
Current assets		
Cash	877,875	349,795
Investments (Note 5)	1,103,553	1,529,411
Accounts receivable	481,919	677,648
Prepaid expenses	61,687	51,507
	<b>2,525,034</b>	<b>2,608,361</b>
Tangible capital assets (Note 7)	<b>7,207,193</b>	<b>6,496,637</b>
	<b>9,732,227</b>	<b>9,104,998</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	903,536	511,117
Government remittances payable	23,661	61,096
Due to related party (Note 6)	553,700	-
Current portion of long-term debt (Note 8)	37,740	35,922
	<b>1,518,637</b>	<b>608,135</b>
Long-term debt (Note 8)	<b>274,389</b>	<b>312,129</b>
	<b>1,793,026</b>	<b>920,264</b>
Commitments (Note 9)		
<b>Net assets</b>		
Operating Fund	248,630	215,594
Property Fund	6,807,423	6,103,194
Restricted Funds	883,148	1,865,946
	<b>7,939,201</b>	<b>8,184,734</b>
	<b>9,732,227</b>	<b>9,104,998</b>

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, 2016

	Operating Fund		Property Fund		Restricted Funds		Totals	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
City of London	2,666,693	2,637,491	-	-	-	-	2,666,693	2,637,491
Provincial subsidy	1,678,396	1,669,725	-	-	-	-	1,678,396	1,669,725
Federal subsidy	117,534	102,761	-	-	-	-	117,534	102,761
Donations	2,586,135	2,568,811	3,381	-	131,930	77,493	2,721,446	2,646,304
Rental	223,490	254,903	-	-	-	-	223,490	254,903
Mission Store sales	188,464	165,294	-	-	-	-	188,464	165,294
Mission Store voucher program	425,993	410,396	-	-	-	-	425,993	410,396
Other	141,258	94,771	-	-	2,242	-	143,500	94,771
Investment (loss) income (Note 12)	-	-	-	-	(74,344)	146,774	(74,344)	146,774
	<b>8,027,963</b>	<b>7,904,152</b>	<b>3,381</b>	-	<b>59,828</b>	<b>224,267</b>	<b>8,091,172</b>	<b>8,128,419</b>
<b>Expenditures</b>								
Salaries and benefits	5,555,492	5,266,827	-	-	-	-	5,555,492	5,266,827
Occupancy cost	524,360	500,600	-	-	-	-	524,360	500,600
Food	286,912	269,194	-	-	-	-	286,912	269,194
Office administration	318,793	367,721	-	-	-	-	318,793	367,721
Client and program	526,122	485,900	-	-	-	-	526,122	485,900
Promotional	644,186	662,932	-	-	-	-	644,186	662,932
Conferences, training and dues	56,345	58,578	-	-	-	-	56,345	58,578
Transportation	58,790	54,962	-	-	-	-	58,790	54,962
Property fund	-	-	1,798	2,667	-	-	1,798	2,667
Amortization of tangible capital assets	-	-	291,759	272,825	-	-	291,759	272,825
Restricted expenses	-	-	-	-	72,148	53,305	72,148	53,305
	<b>7,971,000</b>	<b>7,666,714</b>	<b>293,557</b>	<b>275,492</b>	<b>72,148</b>	<b>53,305</b>	<b>8,336,705</b>	<b>7,995,511</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>56,963</b>	<b>237,438</b>	<b>(290,176)</b>	<b>(275,492)</b>	<b>(12,320)</b>	<b>170,962</b>	<b>(245,533)</b>	<b>132,908</b>
<b>Net assets</b>								
Balance, beginning of year	215,594	-	6,103,194	6,175,828	1,865,946	1,875,998	8,184,734	8,051,826
Transfers	-	-	44,882	27,676	(20,955)	(5,832)	23,927	21,844
Operating Fund	(44,882)	(27,676)	-	-	(949,523)	(175,182)	(994,405)	(202,858)
Property Fund	20,955	5,832	949,523	175,182	-	-	970,478	181,014
Restricted Funds	248,630	215,594	6,807,423	6,103,194	883,148	1,865,946	7,939,201	8,184,734
<b>Balance, end of year</b>								

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, 2016

	2016	2015
	\$	\$
<b>Operating activities</b>		
Excess of revenues over expenditures	(245,533)	132,908
Items not requiring an outlay of cash		
Amortization of tangible capital assets	291,759	272,825
Unrealized loss on investments	170,647	(90,517)
Changes in non-cash working capital		
Accounts receivable	195,729	(267,089)
Prepaid expenses	(10,180)	7,828
Accounts payable and accrued liabilities	392,419	(140,364)
Government remittances payable	(37,435)	1,443
Due to related party	553,700	(23,563)
	<u>1,311,106</u>	<u>(106,529)</u>
<b>Financing activity</b>		
Payments on long-term debt	(35,922)	(70,232)
<b>Investing activities</b>		
Purchase of tangible capital assets	(1,002,315)	(269,761)
(Increase) decrease in investments	255,211	(49,263)
	<u>(747,104)</u>	<u>(319,024)</u>
Net (decrease) increase in cash	528,080	(495,785)
Cash, beginning of year	349,795	845,580
<b>Cash, end of year</b>	<u>877,875</u>	<u>349,795</u>

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, 2016

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### 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, 2016

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### 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

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 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, 2016

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### 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. Accounting policy change

During the year, the Organization changed its accounting policy with respect to the treatment of deferred capital contributions. Previously, capital contributions were recognized using the deferral method. The organization now employs the restricted fund method of accounting for capital contributions, under which the donation is recognized as income of the property restricted fund.

The Organization believes the accounting policy change is preferable as it more closely aligns the treatment of capital contributions with the restricted fund method that is used for the entity's other non-capital restricted donations.

The impact of this voluntary change in accounting policy on the financial statements is primarily to reduce deferred capital contributions on the balance sheet, and remove the associated statement of operations impact as the amounts are amortized over the useful life of the asset. All future amounts restricted for capital purposes will be recognized immediately in income within the property restricted fund. The impact on each line item of the financial statements for the year ended March 31, 2015 is shown below:

	Previously reported amount	Impact of accounting policy change	Revised amount
	\$	\$	\$
Statement of operations and changes in net assets			
Amortization of deferred contributions	58,217	(58,217)	-
Statement of financial position			
Deferred contributions	1,629,234	(1,629,234)	-
Net assets - property fund, balance beginning of year	4,488,377	1,687,451	6,175,828

### 4. 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.

# Mission Services of London

Notes to the financial statements

March 31, 2016

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## 4. Restricted Funds (continued)

### (a) Externally restricted (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 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.

### (b) Internally restricted

#### Contingency Fund

The Board of Directors determined that excess operating funds should be segregated into a Contingency Fund. The purpose of the Board's designated funds is to provide assurance to the continuing of programs in future years. The Board of Directors may authorize the transfer of Contingency Funds in order to offset any shortfall in the Operating Fund. Both the allocation to and from the Contingency Fund is to be on an annual basis at the discretion of the Board of Directors.

#### 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 \$20,955 from Restricted Funds (2015 - \$5,832) to the General Operating Fund.

During the year, the Board authorized the transfer of \$636,855 from the Contingency Fund (2015- NIL) to the Property Fund.

During the year, the Board authorized the transfer of \$312,668 from Restricted Replacement Reserve Funds (2015 - \$175,182) to the Property Fund.

During the year, the Board authorized the transfer of \$44,882 from the General Operating Fund (2015 - \$27,676) to the Property Fund.

# Mission Services of London

## Notes to the financial statements

March 31, 2016

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### 5. Investments

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

	2016		2015	
	Cost	Market	Cost	Market
	\$	\$	\$	\$
Cash	254,630	255,052	196,942	196,942
Fixed income	616,963	622,037	641,506	647,949
Stewart fund Annuities	98,083	98,083	134,222	134,222
Mutual funds	126,459	128,381	117,202	119,027
Equity shares	-	-	334,384	431,271
	<b>1,096,135</b>	<b>1,103,553</b>	<b>1,424,256</b>	<b>1,529,411</b>

The amount shown in fixed income are term deposits and GIC's yielding interest ranging from 0.99% to 2.75% per annum.

The mutual fund, bond and equity investments are subject to market value fluctuations. The year-end market values include unrealized gains and losses on these investments.

### 6. 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 \$305,889 (2015 –\$220,000) was received from the Foundation. The Foundation also reimbursed Mission Services \$102,111 (2015 –\$95,547) 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:

	2016	2015
	\$	\$
Mission Services of London Foundation	<b>553,700</b>	-

# Mission Services of London

Notes to the financial statements

March 31, 2016

## 7. Tangible capital assets

			2016	2015
	Cost	Accumulated Amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	905,996	-	905,996	905,996
Building	9,268,226	3,273,276	5,994,950	5,381,138
Furniture and equipment	562,478	380,120	182,358	124,094
Computer equipment	264,912	167,707	97,205	51,101
Vehicle	38,120	11,436	26,684	34,308
	<b>11,039,732</b>	<b>3,832,539</b>	<b>7,207,193</b>	<b>6,496,637</b>

Amortization expense for the year amounted to \$291,759 (2015 – \$272,825). 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.

## 8. Long-term debt

	2016	2015
	\$	\$
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.	312,129	348,051
	<b>312,129</b>	<b>348,051</b>
Less: current portion	37,740	35,922
	<b>274,389</b>	<b>312,129</b>

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

	\$
2017	37,740
2018	274,389
	<b>312,129</b>

# Mission Services of London

## Notes to the financial statements

March 31, 2016

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### 9. Commitments

As at March 31, 2016, Mission Services of London is obligated under the following leases for rental of retail and office space, internet services and office equipment.

	\$
2017	354,225
2018	393,524
2019	399,723
2020	388,142
2021	390,671
	<hr/> 1,926,285

### 10. Dr. Olive J. Stewart Memorial Fund

The fund balance consists of:

	2016	2015
	\$	\$
<hr/> Annuities	<hr/> 98,083	134,222

Annuity contracts are as follows:

- (a) \$300,000 payable over 20 years @ \$27,085 per year including interest income at 6.434% maturing December 2016.
- (b) \$200,000 payable over 20 years @ \$17,147 per year including interest income at 5.794%, maturing February 2021.

During fiscal 2016, \$44,232 (2015 - \$44,228) 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 \$164,712 (2015 - \$154,187).

### 12. Investment income

The organization's investment income consists of the following:

	2016	2015
	\$	\$
Realized gains on investments	66,853	14,731
Interest and dividends	29,450	41,526
Unrealized loss on investments	(170,647)	90,517
	<hr/> (74,344)	146,774

# Mission Services of London

## Notes to the financial statements

March 31, 2016

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### 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 5.

#### *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.

#### *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:

	2016	2015
	\$	\$
Internally restricted		
Board-restricted for contingency purposes	-	636,855
Board-restricted for major repairs	402,142	663,309
Externally restricted		
Board and City of London - restricted for major repairs	152,612	160,976
Donor-restricted for special projects and specified expenditures	328,394	404,806
	<b>883,148</b>	<b>1,865,946</b>