

Financial statements of

Mission Services of London

March 31, 2019

Mission Services of London

March, 31 2019

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Independent Auditor's Report

To the Board of Directors of
Mission Services of London Foundation

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, 2019, 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 (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, 2019, 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, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2019 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.

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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 7, 2019
London, Ontario

Mission Services of London

Statement of financial position as at March 31, 2019

	2019	2018
	\$	\$
Assets		
Current assets		
Cash	981,141	959,618
Investments (Note 4)	655,025	580,130
Accounts receivable	353,033	284,979
Due from related party (Note 5)	50	55
Prepaid expenses	94,421	104,944
	<u>2,083,670</u>	<u>1,929,726</u>
Tangible capital assets (Note 6)	6,484,626	6,741,751
	<u>8,568,296</u>	<u>8,671,477</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	645,106	722,511
Government remittances payable	179,923	121,465
Deferred contributions (Note 7)	-	69,536
Current portion of long-term debt (Note 8)	43,529	43,529
	<u>868,558</u>	<u>957,041</u>
Long-term debt (Note 8)	146,591	190,152
	<u>1,015,149</u>	<u>1,147,193</u>
Commitments (Note 9)		
Net assets		
Operating Fund	55,443	256,045
Property Fund	6,294,506	6,508,070
Restricted Funds	1,203,198	760,169
	<u>7,553,147</u>	<u>7,524,284</u>
	<u>8,568,296</u>	<u>8,671,477</u>

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, 2019

	Operating		Property		Restricted		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
City of London	3,002,312	2,776,052	-	-	-	-	3,002,312	2,776,052
Provincial subsidy	1,646,607	1,579,344	-	-	-	-	1,646,607	1,579,344
Federal subsidy	125,401	122,553	-	-	-	-	125,401	122,553
Donations	3,512,804	3,403,347	-	-	646,761	292,000	4,159,565	3,695,347
Rental	126,166	195,977	-	-	-	-	126,166	195,977
Mission Store sales	686,927	548,531	-	-	-	-	686,927	548,531
Mission Store voucher program	256,087	286,384	-	-	-	-	256,087	286,384
Other	206,456	201,431	-	-	-	29,784	206,456	231,215
Investment gain (Note 12)	-	-	-	-	15,098	12,282	15,098	12,282
Gain on disposal of tangible capital assets	-	-	-	109,109	-	-	-	109,109
	9,562,760	9,113,619	-	109,109	661,859	334,066	10,224,619	9,556,794
Expenditures								
Salaries and benefits	6,361,536	6,304,170	-	-	-	-	6,361,536	6,304,170
Occupancy cost	1,203,223	944,778	-	-	-	-	1,203,223	944,778
Food	270,387	310,214	-	-	-	-	270,387	310,214
Office administration	417,682	345,770	-	-	-	-	417,682	345,770
Client and program	446,793	483,020	-	-	-	-	446,793	483,020
Promotional	867,957	627,739	-	-	-	-	867,957	627,739
Conferences, training and dues	67,810	71,188	-	-	-	-	67,810	71,188
Transportation	73,990	90,750	-	-	-	-	73,990	90,750
Property fund	-	-	-	57,001	-	-	-	57,001
Amortization of tangible capital assets	-	-	462,710	421,258	-	-	462,710	421,258
Restricted expenses	-	-	-	-	23,668	15,518	23,668	15,518
	9,709,378	9,177,629	462,710	478,259	23,668	15,518	10,195,756	9,671,406
Excess (deficiency) of revenues over expenditures	(146,618)	(64,010)	(462,710)	(369,150)	638,191	318,548	28,863	(114,612)
Net assets								
Balance, beginning of year	256,045	259,012	6,508,070	6,685,037	760,169	694,847	7,524,284	7,638,896
Transfers								
Operating Fund	-	-	68,167	-	(14,183)	(61,043)	53,984	(61,043)
Property Fund	(68,167)	-	-	-	(180,979)	(192,183)	(249,146)	(192,183)
Restricted Funds	14,183	61,043	180,979	192,183	-	-	195,162	253,226
Balance, end of year	55,443	256,045	6,294,506	6,508,070	1,203,198	760,169	7,553,147	7,524,284

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, 2019

	2019	2018
	\$	\$
Operating activities		
Excess of revenues over expenditures	28,863	(114,612)
Items not requiring an outlay of cash		
Amortization of tangible capital assets	462,710	421,258
Gain on disposal of tangible capital assets	-	(109,109)
Changes in non-cash working capital		
Accounts receivable	(68,054)	209,478
Due from related party	5	15,970
Prepaid expenses	10,523	5,622
Accounts payable and accrued liabilities	(77,405)	209,913
Government remittances payable	58,458	62,157
Deferred Revenues	(69,536)	50,687
	345,564	751,364
Financing activity		
Payments on long-term debt	(43,561)	(40,708)
Investing activities		
Purchase of tangible capital assets	(205,585)	(391,181)
Proceeds on disposal of tangible capital assets	-	425,000
(Increase) decrease in investments	(74,895)	1,920
	(280,480)	35,739
Net increase (decrease) in cash	21,523	746,395
Cash, beginning of year	959,618	213,223
Cash, end of year	981,141	959,618

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, 2019

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, 2019

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, 2019

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 Haqqlund 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, 2019

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 \$1,337,652 (2018 - \$1,242,150) was received from the Foundation. The Foundation also reimbursed Mission Services \$118,807 (2018 - \$120,065) 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:

	2019	2018
	\$	\$
Mission Services of London Foundation	50	55

6. Tangible capital assets

	Cost	Accumulated Amortization	2019 Net book value	2018 Net book value
	\$	\$	\$	\$
Land	845,996	-	845,996	845,996
Building	8,412,683	3,724,064	4,688,619	4,839,050
Leasehold Improvements	421,485	84,311	337,174	365,273
Furniture and equipment	1,177,984	761,645	416,339	448,236
Computer equipment	437,891	284,580	153,311	181,135
Vehicle	94,370	51,183	43,187	62,061
	11,390,409	4,905,783	6,484,626	6,741,751

Amortization expense for the year amounted to \$462,710 (2018 - \$421,258). 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, 2019

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.

	2019	2018
	\$	\$
Balance represented by		
Deferred donation revenue	-	5,000
Housing Allowance Program	-	64,536
	-	69,536

8. Long-term debt

	2019	2018
	\$	\$
2.620% 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.	190,120	233,681
Less: current portion	43,529	43,529
	146,591	190,152

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

	\$
2020	44,683
2021	45,868
2022	47,084
2023	52,485
	190,120

9. Commitments

As at March 31, 2019, Mission Services of London is obligated under the following leases for rental of retail and office space, internet services and office equipment.

	\$
2020	396,173
2021	397,469
2022	440,477
2023	450,772
2024	449,570
	2,134,461

Mission Services of London

Notes to the financial statements

March 31, 2019

10. Dr. Olive J. Stewart Memorial Fund

The fund balance consists of:

	2019	2018
	\$	\$
Annuity	31,528	46,009

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 2019 \$17,147 (2018- \$61,043) 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 \$164,162 (2018 - \$165,881).

12. Investment income

The organization's investment income consists of the following:

	2019	2018
	\$	\$
Realized gains on investments	1,375	641
Interest and dividends	13,723	11,641
	15,098	12,282

Mission Services of London

Notes to the financial statements

March 31, 2019

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 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.

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:

	2019	2018
	\$	\$
Internally restricted		
Board-restricted for major repairs	267,712	296,104
Externally restricted		
Board and City of London - restricted for major repairs	132,338	134,231
Donor-restricted for special projects and specified expenditures	803,148	329,834
	<u>1,203,198</u>	<u>760,169</u>