
Financial Statements of Mission Services of London

March 31, 2022

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To the Board of Mission Services of London:

Qualified Opinion

We have audited the financial statements of Mission Services of London (the "Organization"), which comprise the statement of financial position as at March 31, 2022, 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(s) 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, 2022, 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 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, 2022 and 2021, current assets as at March 31, 2022 and 2021, and net assets as at April 1 year ended March 31, 2021 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 Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are those standards are further described in the Auditor's Responsibilities for the Audit of the Financial 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 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.

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 24, 2022

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Mission Services of London
Statement of financial position
as at March 31, 2022

	2022	2021	2,020	2019
	\$	\$	\$	\$
Assets				
Current assets				
Cash	2,994,861	2,744,209	983,554	981,141
Investments (Note 4)	1,346,002	1,159,548	1,039,799	655,025
Accounts receivable	297,178	603,829	254,820	353,033
Due from related party (Note 5)	2,670	15,000	—	50
Prepaid expenses	134,029	122,896	97,600	94,421
	4,774,740	4,645,482	2,375,773	2,083,670
Tangible capital assets (Note 6)	5,800,293	6,062,306	6,332,092	6,484,626
	10,575,033	10,707,788	8,707,865	8,568,296
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	824,819	779,984	764,496	645,106
Government remittances payable	48,546	60,133	58,502	179,923
Current portion of long-term debt (Note 7)	52,425	47,098	45,888	43,529
	925,790	887,215	868,886	868,558
Long-term debt (Note 7)	—	52,425	99,523	146,591
	925,790	939,640	968,409	1,015,149
Commitments (Note 8)				
Net assets				
Operating Fund	266,369	266,368	136,386	55,443
Property Fund	5,747,868	5,962,783	6,186,681	6,294,506
Restricted Funds	3,635,006	3,538,997	1,416,388	1,203,198
	9,649,243	9,768,148	7,739,456	7,553,147
	10,575,033	10,707,788	8,707,865	8,568,296

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

Approved by the Board

_____, Board President

_____, Treasurer

Mission Services of London

Statement of operations and changes in net assets

year ended March 31, 2022

Note	Operating		Property		Restricted		Total
	2022	2021	2022	2021	2022	2021	2021
	\$	\$	\$	\$	\$	\$	\$
Revenue							
City of London	3,081,027	3,656,422	—	—	—	—	3,656,422
Provincial subsidy	1,463,997	1,542,042	—	—	—	—	1,542,042
Federal subsidy	347,671	1,791,067	—	—	—	—	1,791,067
Donations	3,513,348	2,000,446	—	—	433,014	2,541,428	4,541,874
Donations in Kind	323,671	31,707	—	—	—	—	31,707
Rental	329,026	346,980	—	—	—	—	346,980
Mission Store sales	814,030	644,260	—	—	—	—	644,260
Mission Store voucher program	96,208	74,767	—	—	—	—	74,767
Other	218,221	248,547	—	—	—	—	248,547
Investment gain	—	—	—	—	9,494	21,369	21,369
	10,187,199	10,336,238	—	—	442,508	2,562,797	12,899,035
Expenditures							
Salaries and benefits	6,535,908	6,926,267	—	—	—	—	6,926,267
Occupancy cost	1,217,609	1,195,995	—	—	—	—	1,195,995
Food	586,273	220,742	—	—	—	—	220,742
Office administration	555,210	541,717	—	—	—	—	541,717
Client and program	328,015	262,920	—	—	—	—	262,920
Promotional	809,281	776,543	—	—	—	—	776,543
Conferences, training and dues	41,359	72,455	—	—	—	—	72,455
Transportation	84,771	75,230	—	—	—	—	75,230
Amortization of tangible capital assets	—	—	493,454	514,107	—	—	514,107
Restricted expenses	—	—	—	—	96,732	284,367	284,367
	10,158,426	10,071,869	493,454	514,107	96,732	284,367	10,870,343
Excess (deficiency) of revenues over expenditures	28,773	264,368	(493,454)	(514,107)	345,776	2,278,431	(118,905)
Net assets							
Balance, beginning of year	266,368	136,386	5,962,783	6,186,681	3,538,997	1,416,389	7,739,456
Transfers							
Operating Fund	—	—	94,391	139,751	(65,619)	(5,365)	134,386
Property Fund	(94,391)	(139,751)	—	—	(184,148)	(150,458)	(290,209)
Restricted Funds	65,619	5,365	184,148	150,458	—	—	155,823
Balance, end of year	266,369	266,368	5,747,868	5,962,783	3,635,006	3,538,997	9,768,148

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, 2022

	2022	2021
	\$	\$
Operating activities		
Excess of revenues over expenditures	(118,905)	2,028,692
Items not requiring an outlay of cash		
Amortization of tangible capital assets	493,454	514,107
Changes in non-cash working capital		
Accounts receivable	306,651	(349,009)
Due from related party	12,330	(15,000)
Prepaid expenses	(11,133)	(25,296)
Accounts payable and accrued liabilities	44,835	15,488
Government remittances payable	(11,587)	1,631
	715,645	2,170,613
Financing activity		
Payments on long-term debt	(47,098)	(45,888)
Investing activities		
Purchase of tangible capital assets	(231,442)	(244,321)
Increase in investments	(186,454)	(119,749)
	(417,896)	(364,070)
Net change in cash	250,652	1,760,655
Cash, beginning of year	2,744,209	983,554
Cash, end of year	2,994,861	2,744,209

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

1. Nature of the organization

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

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

2. Significant accounting policies

(a) Basis of preparation

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

(b) Cash

Cash consists of short-term bank balances.

(c) Fund accounting

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

Operating Fund

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

Property Fund

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

Restricted Funds

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

2. Significant accounting policies (continued)

(d) Financial instruments

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

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

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

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

(e) Tangible capital assets and amortization

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

Building – 40 years

Leasehold Improvements – 15 years

Furniture and equipment – 5 years

Computer equipment – 5 years

Vehicle – 5 years

(f) Revenue recognition

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

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

2. Significant accounting policies (continued)

(g) Revenue recognition (continued)

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

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

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

(h) Contributed materials and services

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

Donations received by the Mission Store and other non-receipted donations of gifts in kind are not recorded for accounting purposes as determination of fair value is not practical.

(i) Use of estimates

The preparation of the financial statements of the organization, in conformity with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the reporting period. Significant estimates include the amortization of tangible capital assets. Actual results could differ from those estimates.

(j) Government assistance

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

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

3. Restricted funds

(a) Externally restricted

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

Replacement Reserve Funds

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

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*

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 \$65,619 from Restricted Replacement Reserve Funds (\$5,365 in 2021) to the General Operating Fund.

During the year, the Board authorized the transfer of \$94,391 from the General Operating Funds (\$139,751 in 2021) to the Property Fund.

During the year, the Board authorized the transfer of \$184,148 from Restricted Replacement Reserve Funds (\$150,458 in 2021) 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	2022 Market	Cost	2021 Market
	\$	\$	\$	\$
Cash	791,786	791,786	419,040	419,040
Fixed income	450,000	450,907	650,000	651,300
Mutual funds	109,548	103,309	89,328	89,209
	1,351,334	1,346,002	1,158,367	1,159,548

The amount shown in fixed income are GICs yielding interest from 1.96%- 2.08% per annum, with various due dates between 2023 – 2024. The mutual fund and bond investments are subject to market value fluctuations. The year-end market values include accrued interest on these investments.

5. Related party transactions

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

During the year, a donation of \$116,000 (\$550,244 in 2021) was received from the Foundation. The Foundation also reimbursed Mission Services \$Nil (\$Nil in 2021) 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:

	2022	2021
	\$	\$
Mission Services of London Foundation	2,670	15,000

6. Tangible capital assets

	Cost \$	Accumulated amortization \$	2022 Net book value \$	2021 Net book value \$
Land	845,996	—	845,996	845,996
Building	8,566,349	4,376,996	4,189,352	4,399,007
Leasehold Improvements	422,433	168,798	253,635	281,797
Furniture and equipment	1,395,002	1,125,729	269,273	269,624
Computer equipment	687,170	468,903	218,267	221,791
Vehicle	101,609	77,840	23,769	44,090
	12,018,559	6,218,266	5,800,293	6,062,306

Amortization expense for the year amounted to \$493,454 (\$514,107 in 2021). 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

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

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

	\$
2023	52,425

8. Commitments

As at March 31, 2022, Mission Services of London is obligated under the following leases for rental of retail and office space, internet services and office equipment.

	\$
2023	486,416
2024	483,102
2025	461,667
2026	454,827
2027	500,983
	2,386,995

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 \$172,609 (\$179,269 in 2021).

10. Investment income

The organization's investment income consists of the following:

	2022	2021
	\$	\$
Realized gain on investments	148	427
Interest and dividends	9,346	20,942
	9,494	21,369

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.

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:

	2022	2021
	\$	\$
Internally restricted		
Contingency Fund	1,404,489	1,404,489
Board-restricted for major repairs	111,993	450,176
Externally restricted		
Board and City of London - restricted for major repairs	85,603	89,945
Donor-restricted for special projects and specified expenditures	2,032,922	1,594,387
	3,635,006	3,538,997

13. Government assistance

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

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, 2022 is \$314,169 (2021 - \$1,713,715) of CEWS income and \$45,323 (2021 - \$48,255) of CERS income.

14. Significant event

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

The impact of COVID-19 has been partially offset by available government programs for which Mission Services was eligible. Mission Services has received wage subsidies as a result of meeting certain eligibility criteria. Further details of these programs is described in note 13 *government assistance*. Eligibility requirements under these programs have evolved since first announced and can be subject to changes in legislation or administrative positions, further, there is significant uncertainty of the period of time into the future that the government will continue these programs.