

Mission Services of Hamilton, Inc.
(a corporation without share capital)
Financial Statements
For the year ended March 31, 2016

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Independent Auditor's Report

To the Directors of Mission Services of Hamilton, Inc. (a corporation without share capital)

We have audited the accompanying financial statements of Mission Services of Hamilton, Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2016, the statements of revenue and expenditures, 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 Organization'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 Organization'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, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess (deficiency) of revenue over expenditures, and cash flows from operations for the years ended March 31, 2016 and 2015, current assets as at March 31, 2016 and 2015 and net assets as at April 1 and March 31 for both the 2015 and 2016 years. Our audit opinion on the financial statements for the year ended March 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

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 Hamilton, Inc. 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.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
June 15, 2016

Mission Services of Hamilton, Inc.
(a corporation without share capital)
Statement of Financial Position

March 31	2016	2015
Assets		
Current		
Cash (Note 2)	\$ 395,752	\$ 642,751
Cash - Trusteeship client funds (Note 3)	366,822	578,321
Accounts receivable	67,304	107,140
Prepaid expenses	68,613	62,615
Due from related party (Note 7)	100,000	-
	998,491	1,390,827
Capital assets (Note 4)	3,199,335	3,318,764
Reserve cash (Note 5)	548,148	497,648
	\$ 4,745,974	\$ 5,207,239

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 576,865	\$ 452,432
Trusteeship client funds (Note 3)	366,822	578,321
Deferred contributions	94,808	90,542
Deferred lease rental (Note 6)	5,000	5,000
Due to related party (Note 7)	-	1,470
Current portion of term loan	-	53,724
	1,043,495	1,181,489
Deferred lease rental (Note 6)	72,500	77,500
Term loan	-	108,808
	1,115,995	1,367,797
Net Assets		
Unrestricted	(117,503)	23,030
Invested in capital assets	3,199,334	3,318,764
Internally restricted (Note 5)	548,148	497,648
	3,629,979	3,839,442
	\$ 4,745,974	\$ 5,207,239

On behalf of the Board:

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

Mission Services of Hamilton, Inc.
(a corporation without share capital)
Statement of Changes in Net Assets

For the year ended March 31

	Unrestricted	Invested in Capital Assets	Internally Restricted	2016 Total	2015 Total
Balance, beginning of year	\$ 23,030	\$ 3,318,764	\$ 497,648	\$ 3,839,442	\$ 3,734,307
Excess (deficiency) of revenue over expenditures	(25,836)	(183,627)	-	(209,463)	105,135
Purchased capital assets	(174,666)	174,666	-	-	-
Capital grant contributions received	110,469	(110,469)	-	-	-
Inter-fund transfers (Note 5)	(50,500)	-	50,500	-	-
Balance, end of year	\$ (117,503)	\$ 3,199,334	\$ 548,148	\$ 3,629,979	\$ 3,839,442

The accompanying notes are an integral part of these financial statements.

Mission Services of Hamilton, Inc.
(a corporation without share capital)
Statement of Revenue and Expenditures

For the year ended March 31	2016	2015
Revenue		
Contract revenue	\$ 71,379	\$ 67,088
Donations - operations	2,691,202	2,698,736
Donations - designated	271,452	136,043
Donations in kind	50,825	95,640
Government funding	3,378,955	3,416,016
Other income	10,717	8,330
Rental income	50,674	19,405
	6,525,204	6,441,258
Expenditures		
Administrative and professional fees	239,524	300,999
Bank charges and interest	32,802	39,547
Development costs	664,150	722,855
Donations in kind	50,825	95,640
Occupancy costs	728,116	671,510
Other personnel and volunteer costs	51,137	55,255
Program costs	290,336	317,606
Wages and benefits	4,494,150	3,931,827
	6,551,040	6,135,239
Excess (deficiency) of revenue over expenditures before other expenses	(25,836)	306,019
Other expenses		
Amortization	(183,627)	(200,489)
Loss on sale of capital assets	-	(395)
	(183,627)	(200,884)
Excess (deficiency) of revenue over expenditures for the year	\$ (209,463)	\$ 105,135

The accompanying notes are an integral part of these financial statements.

Mission Services of Hamilton, Inc.
(a corporation without share capital)
Statement of Cash Flows

For the year ended March 31	2016	2015
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ (209,463)	\$ 105,135
Adjustments to reconcile excess (deficiency) of revenue over expenditures to net cash provided by operating activities		
Loss on sale of capital assets	-	395
Amortization of capital assets	183,627	200,489
Amortization of deferred lease rental	(5,000)	(5,000)
Changes in non-cash working capital balances		
Accounts receivable	39,836	(43,084)
Prepaid expenses	(5,998)	(9,108)
Accounts payable and accrued liabilities	124,433	(80,590)
Deferred contributions	4,266	62,586
	<u>131,701</u>	<u>230,823</u>
Cash flows from investing activities		
Purchased capital assets	(174,667)	(151,389)
Proceeds on sale of capital assets	-	300
Advances to related party	(100,000)	-
	<u>(274,667)</u>	<u>(151,089)</u>
Cash flows from financing activities		
Repayments to related party	(1,470)	(1,870)
Repayment of term loan	(162,532)	(51,726)
Capital grants received	110,469	101,597
	<u>(53,533)</u>	<u>48,001</u>
Increase (decrease) in cash during the year	(196,499)	127,735
Cash, beginning of year	1,140,399	1,012,664
Cash, end of year	\$ 943,900	\$ 1,140,399
Represented by		
Cash	\$ 395,752	\$ 642,751
Reserve cash	548,148	497,648
	<u>\$ 943,900</u>	<u>\$ 1,140,399</u>

The accompanying notes are an integral part of these financial statements.

Mission Services of Hamilton, Inc.
(a corporation without share capital)
Notes to Financial Statements

March 31, 2016

1. Significant Accounting Policies

Nature of the Organization

Mission Services of Hamilton, Inc. is a Christian, registered charitable not-for-profit organization incorporated without share capital. The purpose of the Organization is to serve men, women and children in the greater Hamilton area in response to basic human needs and to support them in reaching their potential, thereby fulfilling God's call to act justly, to show mercy and to offer hope. As a registered not-for-profit organization, Mission Services of Hamilton, Inc. is exempt from federal and provincial income taxes.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Externally restricted donations and government funding are recognized as revenue in the year in which the related expenses are incurred. Unrestricted donations and government funding are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Government funding repayable, as a result of the Organization having unspent funding at year end, is deducted from government funding recognized in the year.

Externally restricted capital grants are amortized on the same basis as the assets to which they relate. Amortization of these capital grants for the year amounted to \$168,546 (2015 - \$174,690).

Contract, rental and other revenue is recorded when the service is provided and collection is reasonably assured.

Donations-in-Kind

Donations of supplies, food, equipment and sundry items which are used in the normal course of the Organization's operations and would otherwise have been purchased are recorded at their fair market value at the date of contribution.

Contributed Services

Volunteers contribute significant amounts of time to assist the Organization in carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Buildings	-	5% declining balance basis
Vehicles	-	30% declining balance basis
Furniture and equipment	-	20% declining balance basis
Computer equipment	-	30% declining balance basis

Mission Services of Hamilton, Inc.
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March 31, 2016

1. Significant Accounting Policies (Continued)

Leased Assets

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Cash

The Organization has available \$300,000 of operating credit facilities at the bank's prime rate plus 0.75%. The facilities are secured by the land and buildings owned by the Organization. There were no funds advanced under these credit facilities at March 31, 2016.

3. Cash - Trusteeship Client Funds

The Organization operates a trusteeship program in which funds are received and disbursed on behalf of clients.

Mission Services of Hamilton, Inc.
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Notes to Financial Statements

March 31, 2016

4. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 379,078	\$ -	\$ 379,078	\$ -
Buildings	10,191,872	4,204,813	10,048,290	3,893,483
Vehicles	112,538	91,231	112,538	82,100
Furniture and equipment	1,162,253	1,034,271	1,131,168	1,006,161
Computer equipment	404,145	395,742	404,145	392,140
	<u>12,249,886</u>	<u>5,726,057</u>	<u>12,075,219</u>	<u>5,373,884</u>
Capital grants	<u>(7,189,045)</u>	<u>(3,864,551)</u>	<u>(7,078,576)</u>	<u>(3,696,005)</u>
	<u>\$ 5,060,841</u>	<u>\$ 1,861,506</u>	<u>\$ 4,996,643</u>	<u>\$ 1,677,879</u>
Net book value		<u>\$ 3,199,335</u>		<u>\$ 3,318,764</u>

5. Reserve Cash and Internally Restricted Net Assets

The reserve cash and internally restricted net assets are approved by the Board of Directors and relate to funds specifically held for capital projects and to fund future operations.

The Board of Directors have approved a transfer of \$60,000 (2015 - \$62,500) from unrestricted net assets to internally restricted net assets. In addition, the Board of Directors have approved expenditures of \$9,500 (2015 - \$24,031) from internally restricted net assets for unbudgeted capital expenditures and repairs and maintenance.

6. Deferred Lease Rental

The Organization purchased a property in October 2011 for a total purchase price of \$450,000. A portion of the property was subsequently leased back to the vendor. Total cash of \$350,000 was paid to the vendor, with the balance of \$100,000 representing deferred rent related to the lease agreement entered into with the vendor, which is being amortized over the term of the lease of 20 years.

Mission Services of Hamilton, Inc.
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March 31, 2016

7. Related Party Transactions and Balances

The Organization and Mission Services of Hamilton Foundation are related by virtue of sharing controlling members of their Board of Directors and management. The accounts of Mission Services of Hamilton Foundation are not reflected in these financial statements. Mission Services of Hamilton Foundation is a registered charity incorporated without share capital, and is exempt from federal and provincial income taxes.

The following is a summary of financial information for Mission Services of Hamilton Foundation:

	<u>2016</u>	<u>2015</u>
Total assets	<u>\$ 697,653</u>	<u>\$ 284,718</u>
Total liabilities	<u>\$ 394,384</u>	<u>\$ 110,852</u>
Net assets	<u>\$ 303,269</u>	<u>\$ 173,866</u>
Revenue	<u>\$ 198,147</u>	<u>\$ 318,151</u>
Expenditures	<u>\$ 68,744</u>	<u>\$ 124,491</u>
Cash flows from operating activities	<u>\$ 165,410</u>	<u>\$ 149,004</u>

The Organization's related party transactions with Mission Services of Hamilton Foundation for the year were as follows:

	<u>2016</u>	<u>2015</u>
Designated donations received	\$ -	\$ 113,147
Capital grants received	<u>66,468</u>	<u>-</u>
	<u>\$ 66,468</u>	<u>\$ 113,147</u>

These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to be the related parties.

Due from (to) Related Party

	<u>2016</u>	<u>2015</u>
Due from (to) Mission Services of Hamilton Foundation	<u>\$ 100,000</u>	<u>\$ (1,470)</u>

The balance is unsecured, non-interest-bearing, and has no specific terms of repayment.

Mission Services of Hamilton, Inc.
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March 31, 2016

8. Capital Funding and Contingent Liabilities

Capital funding was received in 2002 in the amount of \$575,000 from the City of Hamilton under the Supporting Communities Partnership Initiative (SCPI). This funding was utilized to fund the renovations to the 309 James Street North and the 325 James Street North properties. An agreement is in place which may require the repayment of these funds if the properties are sold or cease to be used for their intended purposes.

Capital funding was received in fiscal 2003 in the amount of \$750,000 from the Ministry of Community and Social Services. This funding was utilized to assist in the renovations to 81 Stuart Street (Inasmuch House). An agreement has been registered placing a restriction on title of the property, which prohibits any changes to the property without written approval from the Ministry.

9. Lease Commitments

The Organization has entered into various operating leases for office equipment. The future minimum annual lease payments are as follows:

2017	\$	47,587
2018		26,382
2019		4,137

10. Financial Instrument Risks

Liquidity Risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from the Organization's accounts payable and accrued liabilities and commitments. This risk has not changed from the prior year.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The Organization's financial instruments that are exposed to concentrations or credit risk relate primarily to its accounts receivable and due from related party balances. This risk has not changed from the prior year.