

Financial statements of

Mission Services of London

March 31, 2015

Mission Services of London

March, 31 2015

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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, 2015, 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, 2015 and current assets and net assets as at March 31 2015 and 2014.

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, 2015, 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, Chartered Accountants
Licensed Public Accountants
June 8, 2015

Mission Services of London
Statement of financial position
as at March 31, 2015

	2015	2014
	\$	\$
Assets		
Current assets		
Cash	349,795	845,580
Investments (Note 4)	1,529,411	1,389,631
Accounts receivable	677,648	410,559
Prepaid expenses	51,507	59,335
	<u>2,608,361</u>	<u>2,705,105</u>
Tangible capital assets (Note 6)	6,496,637	6,499,701
	<u>9,104,998</u>	<u>9,204,806</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	511,117	651,481
Government remittances payable	61,096	59,653
Due to related party (Note 5)	-	23,563
Current portion of long-term debt (Note 8)	35,922	35,763
	<u>608,135</u>	<u>770,460</u>
Deferred contributions (Note 7)	1,629,234	1,687,451
Long-term debt (Note 8)	312,129	382,520
	<u>2,549,498</u>	<u>2,840,431</u>
Commitments (Note 9)		
Net assets		
Operating Fund	215,594	-
Property Fund	4,473,960	4,488,377
Restricted Funds	1,865,946	1,875,998
	<u>6,555,500</u>	<u>6,364,375</u>
	<u>9,104,998</u>	<u>9,204,806</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, 2015

	Operating Fund		Property Fund		Restricted Funds		Totals	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
City of London	2,637,491	2,591,374	-	-	-	-	2,637,491	2,591,374
Provincial subsidy	1,669,725	1,632,788	-	-	-	-	1,669,725	1,632,788
Federal subsidy	102,761	152,562	-	-	-	-	102,761	152,562
Donations	2,568,811	2,564,997	-	-	77,493	76,361	2,646,304	2,641,358
Rental	254,903	263,371	-	-	-	-	254,903	263,371
Mission Store sales	165,294	158,920	-	-	-	-	165,294	158,920
Mission Store voucher program	410,396	395,478	-	-	-	-	410,396	395,478
Other	94,771	82,319	-	-	-	-	94,771	82,319
Amortization of deferred contributions	-	-	58,217	53,215	-	-	58,217	53,215
Investment income (Note 12)	-	-	-	-	146,774	122,569	146,774	122,569
	7,904,152	7,841,809	58,217	53,215	224,267	198,930	8,186,636	8,093,954
Expenditures								
Salaries and benefits	5,266,827	5,365,619	-	-	-	-	5,266,827	5,365,619
Occupancy cost	500,600	506,246	-	-	-	-	500,600	506,246
Food	269,194	281,530	-	-	-	-	269,194	281,530
Office administration	367,721	276,197	-	-	-	-	367,721	276,197
Client and program	485,900	479,018	-	-	-	-	485,900	479,018
Promotional	662,932	718,213	-	-	-	-	662,932	718,213
Conferences, training and dues	58,578	48,125	-	-	-	-	58,578	48,125
Transportation	54,962	62,906	-	-	-	-	54,962	62,906
Property fund	-	-	2,667	-	-	-	2,667	-
Amortization of tangible capital assets	-	-	272,825	273,201	-	-	272,825	273,201
Restricted expenses	-	-	-	-	53,305	72,352	53,305	72,352
	7,666,714	7,737,854	275,492	273,201	53,305	72,352	7,995,511	8,083,407
Excess (deficiency) of revenues over expenditures	237,438	103,955	(217,275)	(219,986)	170,962	126,578	191,125	10,547
Net assets								
Balance, beginning of year	-	-	4,488,377	4,517,087	1,875,998	1,836,741	6,364,375	6,353,828
Transfers								
Operating Fund			27,676	67,476	(5,832)	36,479	21,844	103,955
Property Fund	(27,676)	(67,476)	-	-	(175,182)	(123,800)	(202,858)	(191,276)
Restricted Funds	5,832	(36,479)	175,182	123,800	-	-	181,014	87,321
Balance, end of year	215,594	-	4,473,960	4,488,377	1,865,946	1,875,998	6,555,500	6,364,375

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, 2015

	2015	2014
	\$	\$
Operating activities		
Excess of revenues over expenditures	191,125	10,547
Items not requiring an outlay of cash		
Amortization of tangible capital assets	272,825	273,201
Amortization of deferred contributions	(58,217)	(53,215)
Unrealized gain on investments	(90,517)	(12,175)
Changes in non-cash working capital		
Accounts receivable	(267,089)	109,767
Prepaid expenses	7,828	(7,014)
Accounts payable and accrued liabilities	(140,364)	(82,872)
Government remittances payable	1,443	(54,347)
Due to related party	(23,563)	23,563
	(106,529)	207,455
Financing activity		
Payments on long-term debt	(70,232)	(40,469)
Investing activities		
Purchase of tangible capital assets	(269,761)	(157,471)
(Increase) decrease in investments	(49,263)	430,889
	(319,024)	273,418
Net (decrease) increase in cash	(495,785)	440,404
Cash, beginning of year	845,580	405,176
Cash, end of year	349,795	845,580

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, 2015

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, 2015

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 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, 2015

2. Significant accounting policies (continued)

(h) Use of estimates

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

3. Restricted Funds

(a) Externally restricted

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

Replacement Reserve Funds

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

Special Projects Funds

Restricted to expenditures on projects as designated by the donors.

Alvin Roth Staff Development Fund

Restricted to expenditures related to the development of employees of Mission Services.

Spiritual Ministry Fund

Restricted to expenditures on books, training material, retreats and equipment.

Fred Hagglund Youth Bursary

Restricted to assist children and youth attend summer school camp or special recreational opportunity, assist with expenses related to children with special needs, and assist with the expenses related to youth entering college, university or a recognized training program.

Dr. Olive J. Stewart Memorial Fund

Restricted to provide shelter, clothing, food and supplies where needed for guests that come to Rotholme, Men's Mission and Quintin Warner House.

Mission Services of London

Notes to the financial statements

March 31, 2015

3. Restricted Funds

(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 \$8,231 from Operating Funds (2014 - \$ Nil) to the replacement reserve funds (externally and internally restricted).

During the year, the Board authorized the transfer of \$72,549 to Property Funds (2014 - \$92,100) from the replacement reserve funds.

4. 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:

	2015		2014	
	Cost	Market	Cost	Market
	\$	\$	\$	\$
Cash	196,942	196,942	16,949	16,958
Fixed income	641,506	647,949	754,636	762,127
Stewart fund Annuities	134,222	134,222	168,246	168,246
Mutual funds	117,202	119,027	114,532	115,478
Equity shares	334,384	431,271	252,428	326,822
	1,424,256	1,529,411	1,306,791	1,389,631

The amount shown in fixed income are term deposits and GIC's yielding interest ranging from 2.17% 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.

Mission Services of London

Notes to the financial statements

March 31, 2015

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 \$220,000 (2014 - \$237,337) was received from the Foundation. The Foundation also reimbursed Mission Services \$95,547 (2014 - \$83,163) 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:

	2015	2014
	\$	\$
Mission Services of London Foundation	-	23,563

6. Tangible capital assets

	Cost	Accumulated Amortization	2015 Net book value	2014 Net book value
	\$	\$	\$	\$
Land	905,996	-	905,996	905,996
Building	8,442,455	3,061,317	5,381,138	5,408,900
Furniture and equipment	459,119	335,025	124,094	127,717
Computer equipment	191,726	140,625	51,101	57,088
Vehicle	38,120	3,812	34,308	-
	10,037,416	3,540,779	6,496,637	6,499,701

Amortization expense for the year amounted to \$272,825 (2014 - \$273,201). 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, 2015

7. Deferred contributions

Deferred contributions represent restricted donations for specific capital assets as well as contributions towards the Men's Mission expansion completed in 2005. These contributions are being amortized into income on the same basis as the related tangible capital assets. The changes in the deferred contributions balance for the year are as follows.

	2015	2014
	\$	\$
Balance, beginning of year	1,687,451	1,740,666
Less: amounts amortized to Property Fund	(58,217)	(53,215)
Balance, end of year	1,629,234	1,687,451
Balance represented by Unamortized contributions	1,629,234	1,687,451

8. Long-term debt

	2015	2014
	\$	\$
10.5% mortgage, secured by real property at 479 Maitland Street, London, Ontario, payable to Canada Mortgage and Housing Corporation, in monthly installments of \$337 (principal and the mortgagor grants a 2.5% interest reduction, making a net interest rate of 8%), due May 1, 2026.	-	36,034
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.	348,051	382,249
	348,051	418,283
Less: current portion	35,922	35,763
	312,129	382,520

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

	\$
2016	35,922
2017	37,740
2018	274,390
	348,051

The mortgage for 479 Maitland Street, London, Ontario was repaid in full and discharged. Total interest on long term debt was \$20,960 (2014 - \$23,571)

Mission Services of London

Notes to the financial statements

March 31, 2015

9. Commitments

As at March 31, 2015, Mission Services of London is obligated under the following leases for rental of retail space and office equipment.

	\$
2016	67,895
2017	28,984
2018	7,340
2019	4,965
	<u>109,184</u>

10. Dr. Olive J. Stewart Memorial Fund

The fund balance consists of:

	2015	2014
	\$	\$
<u>Annuities</u>	<u>134,222</u>	<u>168,426</u>

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 2015, \$44,228 (2014 - \$83,335) 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 \$154,187 (2014 - \$163,650).

12. Investment income

The organization's investment income consists of the following:

	2015	2014
	\$	\$
Realized gains on investments	14,731	81,160
Interest and dividends	41,526	29,234
Unrealized gain on investments	90,517	12,175
	<u>146,774</u>	<u>122,569</u>

Mission Services of London

Notes to the financial statements

March 31, 2015

13. Financial instruments

Interest rate risk

The organization is exposed to interest rate risk, as the investment income earned and market value of investments are subject to fluctuation depending on prevailing market interest rates. Management addresses this risk through varying terms of investments to minimize fluctuations. Interest rates for marketable securities are disclosed in Note 4.

Market risk

The organization's investments in publicly-traded securities exposes the organization to price risks as equity investments are subject to price changes in an open market. The organization does not use derivative financial instruments to alter the effects of this risk.

Credit risk

The Organization collects balances from the Local Health Integration Network and the City of London in the normal course of its operations and due to the nature of the receivables, the Organization is exposed to minimal credit risk.

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:

	2015	2014
	\$	\$
Internally restricted		
Board-restricted for contingency purposes	636,855	584,635
Board-restricted for major repairs	663,309	608,372
Externally restricted		
Board and City of London - restricted for major repairs	160,976	211,514
Donor-restricted for special projects and specified expenditures	404,806	471,477
	1,865,946	1,875,998