

Mission Services of Hamilton, Inc.
(a corporation without share capital)
Financial Statements
For the year ended March 31, 2021

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Mission Services of Hamilton, Inc. (the Organization), which comprise the statement of financial position as at March 31, 2021, and the statements of changes in net assets, revenue and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 opinion.

Responsibilities of Management and Those Charged with Governance 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Guelph, Ontario
July 14, 2021

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

March 31

2021

2020

Assets

Current

Cash and cash equivalents (Note 2)	\$	670,661	\$	187,178
Cash - Trusteeship client funds (Note 3)		283,093		298,274
Accounts receivable		593,287		168,448
Prepaid expenses		54,392		24,448
Due from related party (Note 8)		600,000		604,503
		2,201,433		1,282,849
Capital assets (Note 4)		3,031,599		2,740,011
Reserve cash and cash equivalents (Note 5)		750,000		750,000
		\$ 5,983,032		\$ 4,772,860

Liabilities and Net Assets

Current

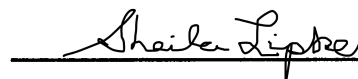
Accounts payable and accrued liabilities	\$	382,562	\$	263,306
Trusteeship client funds (Note 3)		283,093		298,274
Deferred contributions (Note 6)		428,113		213,856
Deferred lease rental (Note 7)		5,000		5,000
		1,098,768		780,436
Deferred lease rental (Note 7)		47,500		52,500
		1,146,268		832,936

Net Assets

Unrestricted		255,165		449,913
Invested in capital assets		3,031,599		2,740,011
Internally restricted (Note 5)		1,550,000		750,000
		4,836,764		3,939,924
		\$ 5,983,032		\$ 4,772,860

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	2021 Total	2020 Total
Balance, beginning of year	\$ 449,913	\$ 2,740,011	\$ 750,000	\$ 3,939,924	\$ 3,738,833
Excess (deficiency) of revenue over expenditures	1,074,433	(177,593)	-	896,840	201,091
Purchased capital assets	(624,238)	624,238	-	-	-
Capital grant contributions received and spent	155,057	(155,057)	-	-	-
Inter-fund transfers (Note 5)	(800,000)	-	800,000	-	-
Balance, end of year	\$ 255,165	\$ 3,031,599	\$ 1,550,000	\$ 4,836,764	\$ 3,939,924

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	2021	2020
Revenue		
Contract revenue	\$ 38,874	\$ 37,532
Donations - operations	3,399,733	2,746,683
Donations - designated	652,312	948,417
Donations in-kind	173,261	209,654
Government funding	6,667,033	3,592,856
Other income	9,685	29,098
Rental income	18,581	28,075
	<u>10,959,479</u>	<u>7,592,315</u>
Expenditures		
Wages and benefits	7,494,821	5,111,539
Occupancy costs	928,619	838,021
Program costs	579,914	267,242
Development costs	340,881	543,766
Administrative and professional fees	277,376	181,690
Donations in-kind	173,261	209,654
Bank charges	47,502	38,790
Other personnel and volunteer costs	42,671	49,688
	<u>9,885,045</u>	<u>7,240,390</u>
Excess of revenue over expenditures before other expenses	1,074,434	351,925
Other expenses		
Amortization of capital assets and grants, net	(177,594)	(148,768)
Loss on disposal of capital assets	-	(2,066)
	<u>(177,594)</u>	<u>(150,834)</u>
Excess of revenue over expenditures for the year	\$ 896,840	\$ 201,091

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	2021	2020
Cash flows from operating activities		
Excess of revenue over expenditures for the year	\$ 896,840	\$ 201,091
Loss on disposal of capital assets	-	2,066
Amortization of capital assets and grants, net	177,594	148,768
Amortization of deferred lease rental	(5,000)	(5,000)
Changes in non-cash working capital balances		
Accounts receivable	(424,842)	93,514
Prepaid expenses	(29,943)	11,607
Accounts payable and accrued liabilities	119,255	(11,802)
Deferred contributions	214,257	(126,476)
	948,161	313,768
Cash flows from investing activities		
Purchased capital assets	(624,238)	(487,022)
Repayment from (advances to) related party	4,503	(204,503)
	(619,735)	(691,525)
Cash flows from financing activity		
Capital grants received	155,057	403,138
Increase in cash during the year	483,483	25,381
Cash, beginning of year	937,178	911,797
Cash, end of year	\$ 1,420,661	\$ 937,178
Represented by		
Cash and cash equivalents	\$ 670,661	\$ 187,178
Reserve cash and cash equivalents	750,000	750,000
	\$ 1,420,661	\$ 937,178

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, 2021

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 \$230,763 (2020 - \$220,234) and is recorded together with amortization of capital assets in other expenses.

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.

Cash and Cash Equivalents

Cash and cash equivalents and reserve cash and cash equivalents include amounts on deposit with financial institutions and guaranteed investment certificates that are readily convertible to cash. The interest earned on these guaranteed investment certificates during the year ranged from 1.60% to 2.16% per annum.

Mission Services of Hamilton, Inc.
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Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies (Continued)

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

In the year of acquisition, the amortization charge is reduced by one half.

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 and Cash Equivalents

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, 2021.

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, 2021

4. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 379,078	\$ -	\$ 379,078	\$ -
Buildings	11,696,645	5,716,731	11,270,116	5,413,223
Vehicles	325,846	187,124	258,969	142,003
Furniture and equipment	1,505,544	1,223,191	1,374,712	1,168,957
Computer equipment	409,543	396,724	409,543	391,231
	14,316,656	7,523,770	13,692,418	7,115,414
Capital grants	(8,626,329)	(4,865,042)	(8,471,272)	(4,634,279)
	\$ 5,690,327	\$ 2,658,728	\$ 5,221,146	\$ 2,481,135
Net book value		\$ 3,031,599		\$ 2,740,011

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. During the year, the Board approved a transfer of \$800,000 into the internally restricted net assets. Subsequent to year end, the internally restricted net assets of \$1,550,000 were fully funded from cash and through the collection of accounts receivable.

6. Deferred Contributions

Changes in deferred contribution balances are as follows:

	2021	2020
Beginning balance	\$ 213,856	\$ 340,332
Less: amounts recognized as revenue in the year	(196,238)	(221,890)
Add: amounts received related to a subsequent period	410,495	95,414
	\$ 428,113	\$ 213,856
Ending balance	\$ 428,113	\$ 213,856

Mission Services of Hamilton, Inc.
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March 31, 2021

7. 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.

8. 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 unaudited financial information for Mission Services of Hamilton Foundation:

	<u>2021</u>	<u>2020</u>
Total assets	<u>\$ 1,076,810</u>	<u>\$ 1,006,087</u>
Total liabilities	<u>\$ 750,000</u>	<u>\$ 754,503</u>
Net assets	<u>\$ 326,810</u>	<u>\$ 251,584</u>
Revenue	<u>\$ 76,238</u>	<u>\$ 267,849</u>
Expenditures	<u>\$ 1,012</u>	<u>\$ 191,216</u>
Cash flows from operating activities	<u>\$ 70,724</u>	<u>\$ 256,137</u>

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

	<u>2021</u>	<u>2020</u>
Designated donations received	\$ -	\$ 25,000
Capital grants received	-	165,124

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.

Mission Services of Hamilton, Inc.
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March 31, 2021

8. Related Party Transactions and Balances (continued)

Due from Related Party

	2021	2020
Due from Mission Services of Hamilton Foundation	\$ 600,000	\$ 604,503

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

9. 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.

10. Lease Commitments

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

2022	\$	57,313
2023		9,190
2024		6,256
2025		3,341
		76,100

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

March 31, 2021

11. 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 increased due to the impact of COVID-19, which could lead to increased difficulty in meeting the organization's obligations as they come due.

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 of credit risk relate primarily to its accounts receivable and due from related party balance. The credit risk related to the Organization's accounts receivable has increased due to the impact of COVID-19, which could lead to potential losses.

12. Material Uncertainty - COVID-19

On March 11, 2020, the World Health Organization characterized the COVID-19 outbreak as a pandemic, which has resulted in a series of public health and emergency measures being put in place to combat the spread of the virus. The Organization has been able to continue operations during this time period. However, the duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the organization in future periods.
