

Mission Services of Hamilton Inc.

Financial Statements

March 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the Directors of Mission Services of Hamilton Inc.

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, 2023, and the statements of changes in net assets, revenues 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, 2023, 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 (ASNPO).

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 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.

Other Matters

We draw attention to Note 13 of the financial statements, which describes the effects of the coronavirus disease (COVID-19) on the Organization. Our opinion is not modified in respect of this matter.

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 ASNPO, 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.

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SIMCOE PORT DOVER BRANTFORD HAGERSVILLE

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.

Millard, Rouse & Rosebrugh LLP


Millard, Rouse & Rosebrugh LLP
Chartered Professional Accountants
Licensed Public Accountants

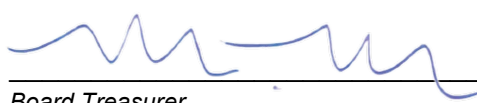
September 19, 2023
Simcoe, Ontario

Mission Services of Hamilton Inc.
Statement of Financial Position
As at March 31, 2023

	2023	2022
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 635,033	\$ 580,204
Cash - Trusteeship client funds (Note 4)	200,169	220,208
Accounts receivable	445,533	500,650
Prepaid expenses	31,119	42,413
Due from related party (Note 9)	505,000	600,000
	1,816,854	1,943,475
Capital assets (Note 5)	3,120,055	2,918,966
Reserve cash and cash equivalents (Note 6)	1,550,000	1,550,000
	\$ 6,486,909	\$ 6,412,441
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 959,253	\$ 752,753
Trusteeship client funds (Note 4)	200,169	220,208
Deferred contributions (Note 7)	140,959	217,315
Current portion of deferred lease rental (Note 8)	5,000	5,000
	1,305,381	1,195,276
Deferred lease rental (Note 8)	37,500	42,500
	1,342,881	1,237,776
Net Assets		
Unrestricted	473,973	705,699
Invested in capital assets	3,120,055	2,918,966
Internally restricted (Note 6)	1,550,000	1,550,000
	5,144,028	5,174,665
	\$ 6,486,909	\$ 6,412,441

ON BEHALF OF THE BOARD


 Board Chair


 Board Treasurer

Mission Services of Hamilton Inc.
Statement of Changes in Net Assets
Year ended March 31, 2023

	Unrestricted	Invested in Capital Assets	Internally Restricted	2023 Total	2022 Total
NET ASSETS - BEGINNING OF YEAR	\$ 705,699	\$ 2,918,966	\$ 1,550,000	\$ 5,174,665	\$ 4,331,831
Excess (deficiency) of revenue over expenditures	170,016	(200,653)	-	(30,637)	842,834
Purchased capital assets	(504,181)	504,181	-	-	-
Proceeds on disposal of capital assets	16,000	(16,000)	-	-	-
Capital grant contributions received and spent	86,439	(86,439)	-	-	-
Inter-fund transfers <i>(Note 6)</i>	-	-	-	-	-
NET ASSETS - END OF YEAR	\$ 473,973	\$ 3,120,055	\$ 1,550,000	\$ 5,144,028	\$ 5,174,665

See accompanying notes to financial statements

Mission Services of Hamilton Inc.
Statement of Revenues and Expenditures
Year ended March 31, 2023

	2023	2022
Revenues		
Contract revenue	\$ 73,541	\$ 75,832
Donations - operations	3,213,964	3,450,293
Donations - designated	910,600	856,802
Donations - in-kind	140,316	125,730
Government funding	7,733,537	8,092,298
Other income	42,640	9,433
Rental income	25,946	18,360
	12,140,544	12,628,748
Expenditures		
Wages and benefits	8,594,721	8,725,594
Occupancy costs	1,157,460	1,112,696
Program costs	1,004,705	681,186
Development costs	496,497	478,935
Administrative and professional fees	441,126	338,214
Donations in-kind	140,316	125,730
Other personnel and volunteer costs	88,723	83,464
Bank charges	46,980	46,320
	11,970,528	11,592,139
Excess of revenues over expenditures before other expenses	170,016	1,036,609
Other expenses		
Amortization of capital assets and grants, net	205,652	193,646
(Gain) loss on disposal of capital assets	(4,999)	129
	200,653	193,775
Excess (deficiency) of revenue over expenditures for the year	\$ (30,637)	\$ 842,834

See accompanying notes to financial statements

Mission Services of Hamilton Inc.

Statement of Cash Flows

Year ended March 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ (30,637)	\$ 842,834
Items not affecting cash:		
Amortization of capital assets and capital grants, net	205,652	193,646
Loss (gain) on disposal of capital assets	(4,999)	129
Amortization of deferred lease rental	(5,000)	(5,000)
	165,016	1,031,609
Changes in non-cash working capital:		
Accounts receivable	55,116	92,637
Accounts payable and accrued liabilities	206,501	(134,742)
Deferred contributions	(76,356)	(210,798)
Prepaid expenses	11,294	11,979
	196,555	(240,924)
Cash flow from operating activities	361,571	790,685
INVESTING ACTIVITIES		
Purchase of capital assets	(504,181)	(516,655)
Proceeds on disposal of capital assets	16,000	-
Cash flow used by investing activities	(488,181)	(516,655)
FINANCING ACTIVITIES		
Repayments from related party	95,000	-
Capital grants received	86,439	435,513
Cash flow from financing activities	181,439	435,513
INCREASE IN CASH	54,829	709,543
Cash - beginning of year	2,130,204	1,420,661
CASH - END OF YEAR	\$ 2,185,033	\$ 2,130,204
Cash consists of:		
Cash and cash equivalents	\$ 635,033	\$ 580,204
Reserve cash and cash equivalents	1,550,000	1,550,000
	\$ 2,185,033	\$ 2,130,204

See accompanying notes to financial statements

Mission Services of Hamilton Inc.

Notes to Financial Statements

Year ended March 31, 2023

1. PURPOSE OF THE ORGANIZATION

Mission Service of Hamilton, Inc. (the "Organization") is a Christian, registered charitable not-for-profit organization of Ontario incorporated without share capital. As a registered charity, the Organization is exempt from the payment of income tax under Subsection 149(1) of the Income Tax Act.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 \$221,228 (2022 - \$225,479) 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. Due to 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, high interest savings accounts and guaranteed investment certificates that are readily convertible to cash. The interest earned on these guaranteed investment certificates is 1.04% per annum (2022 - 1.04% per annum).

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Mission Services of Hamilton Inc.

Notes to Financial Statements

Year ended March 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Buildings	5%	declining balance method
Furniture and equipment	20%	declining balance method
Motor vehicles	30%	declining balance method
Computer equipment	30%	declining balance method

The organization regularly reviews its capital assets to eliminate obsolete items, and tests for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

In the year of acquisition, the amortization charge is reduced by one half. Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Any gain or loss on disposal of individual capital assets is recognized in the statement of revenues and expenditures in the year of disposal. Normal maintenance and repair expenditures are expensed in the year.

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, except for related party transactions, which are recorded at the carrying or exchange amount depending on the circumstances. 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. The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, due from related party, accounts payable and accrued liabilities, trusteeship client funds, deferred contributions and deferred lease rental.

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 expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. The estimates in these financial statements relates to the allowance for the useful lives of capital assets and capital grants, accrued liabilities and deferred revenue.

3. 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, 2023.

Mission Services of Hamilton Inc.

Notes to Financial Statements

Year ended March 31, 2023

4. CASH - TRUSTEESHIP CLIENT FUNDS

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

5. CAPITAL ASSETS

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 379,078	\$ -	\$ 379,078	\$ -
Buildings	12,400,681	6,339,440	12,149,478	6,027,048
Furniture and equipment	1,792,826	1,356,598	1,559,493	1,285,057
Motor vehicles	303,496	235,612	303,496	206,519
Computer equipment	419,417	407,261	419,417	402,051
Capital grants	(9,148,282)	(5,311,750)	(9,061,843)	(5,090,522)
	\$ 6,147,216	\$ 3,027,161	\$ 5,749,119	\$ 2,830,153
Net book value	\$ 3,120,055		\$ 2,918,966	

6. 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 internally restricted net assets of \$1,550,000 are fully funded from cash and cash equivalents.

7. DEFERRED CONTRIBUTIONS

Changes in deferred contributions are as follows:

	2023	2022
Beginning balance	\$ 217,315	\$ 428,113
Less: amounts recognized as revenue in the year	(389,991)	(475,668)
Add: amounts received related to a subsequent period	313,635	264,870
Ending balance	\$ 140,959	\$ 217,315

8. 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.

Notes to Financial Statements

Year ended March 31, 2023

9. 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 the unaudited financial information for Mission Services of Hamilton Foundation:

	2023	2022
Total assets	\$ 1,369,423	\$ 1,251,556
Total liabilities	655,000	750,000
Net assets	714,243	501,556
Revenues	263,698	176,088
Expenditures	51,012	1,342
Cash flows from operating activities	212,687	174,717

The Organization received designated donation revenue of \$50,000 during the year (2022 - \$nil) from Mission Services of Hamilton Foundation. 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 Related Party

	2023	2022
Due from Mission Services of Hamilton Foundation	\$ 505,000	\$ 600,000

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

10. 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.

11. LEASE COMMITMENTS

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

2024	\$ 58,972
2025	50,700
2026	3,720
2027	3,720

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Mission Services of Hamilton Inc.

Notes to Financial Statements

Year ended March 31, 2023

11. LEASE COMMITMENTS *(continued)*

2028	3,720
Thereafter	1,860
	<u>5,580</u>
	<u>\$ 122,692</u>

12. FINANCIAL INSTRUMENT RISKS

The following analysis provides information about the Organization's risk exposure and concentration as of March 31, 2023.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in market interest rates. The Organization is exposed to interest rate risk primarily through its cash and cash equivalents held in GICs. This risk has not changed from the prior year.

Liquidity risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. 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 arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from government funders and customers. The Organization's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable and due from related party balances. This risk has not changed from the prior year.

13. EXTRAORDINARY EVENT - COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential future impact on the Organization as at the date of these financial statements.

14. SUBSEQUENT EVENT

Subsequent to year end, an agreement was entered into for the purchase of a property to be used for the Organization's men's shelter operations. In conjunction with this transaction, an agreement was also entered into for the sale of a property owned by the Organization. This newly purchased property will allow the Organization to expand their men's shelter services significantly. The Organization is planning to fund this purchase through a combination of reserve cash, cash equivalents and government funding resulting in a no mortgage position.