

LONDON CARES HOMELESS RESPONSE SERVICES

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2019



LONDON CARES HOMELESS RESPONSE SERVICES

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MARCH 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of:
London Cares Homeless Response Services

Opinion

We have audited the accompanying financial statements of London Cares Homeless Response Services, which comprise of the statement of financial position as at March 31, 2019, the statements of operations, changes in accumulated net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of London Cares Homeless Response Services as at March 31, 2019 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 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 Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on Davis Martindale LLP's website. This description forms part of our auditor's report. https://www.davismartindale.com/auditors_report.

July 23, 2019

Davis Martindale LLP

Chartered Professional Accountants
Licensed Public Accountants



LONDON CARES HOMELESS RESPONSE SERVICES
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

ASSETS

	2019
Current Assets	
Cash	\$ 420,065
Accounts receivable	122,111
HST recoverable	35,197
Prepaid expenses	<u>6,379</u>
	583,752
Investments (note 3)	10,438
Tangible Capital Assets (note 4)	<u>93,728</u>
	<u>\$ 687,918</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable and accrued liabilities	\$ 79,803
Deferred revenue (note 5)	<u>281,759</u>
	361,562
Deferred Tangible Capital Asset Contributions (note 6)	<u>19,788</u>
	381,350
Commitments (note 9)	
Net Assets	
City of London	218,949
London Community Foundation	-
United Way	4,017
Unrestricted	<u>83,602</u>
	<u>306,568</u>
	<u>\$ 687,918</u>

*The attached Independent Auditor's Report and notes form an
integral part of these audited financial statements.*



**LONDON CARES HOMELESS RESPONSE SERVICES
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2019**

	2019
City of London	
Balance, Beginning of Year	\$ -
Excess of Revenues over Expenditures	<u>218,949</u>
Balance, End of Year	<u>\$ 218,949</u>
 London Community Foundation	
Balance, Beginning of Year	\$ -
Excess of Revenues over Expenditures	<u>-</u>
Balance, End of Year	<u>\$ -</u>
 United Way	
Balance, Beginning of Year	\$ -
Excess of Revenues over Expenditures	<u>4,017</u>
Balance, End of Year	<u>\$ 4,017</u>
 Unrestricted	
Balance, Beginning of Year	\$ -
Excess of Revenues over Expenditures	<u>83,602</u>
Balance, End of Year	<u>\$ 83,602</u>

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LONDON CARES HOMELESS RESPONSE SERVICES
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2019

	City of London	London Community Foundation	United Way	Unrestricted	Total 2019
Revenue					
Community Homeless Prevention Initiative	\$ 1,510,550	\$ -	\$ -	\$ -	\$ 1,510,550
HPS Community Inclusion	119,172	-	-	-	119,172
Informed Response	107,372	-	-	-	107,372
Housing Allowance	87,208	-	-	-	87,208
House to Home	-	14,616	-	-	14,616
United Way	-	-	103,145	-	103,145
Donation income	283,171	-	4,017	118,138	405,326
Amortization of deferred capital contributions	2,368	-	-	-	2,368
Other income	-	-	-	5,814	5,814
	<u>2,109,841</u>	<u>14,616</u>	<u>107,162</u>	<u>123,952</u>	<u>2,355,571</u>
Expenditures					
Administration cost allocation	(9,377)	-	9,377	-	-
Amortization	2,368	-	-	40,350	42,718
Computer support	34,968	-	-	-	34,968
Computers, software and website	10,886	-	-	-	10,886
Furniture and equipment	6,048	-	-	-	6,048
Insurance	5,391	-	-	-	5,391
Maintenance	10,182	-	-	-	10,182
Office and administrative	20,407	-	-	-	20,407
Participation costs	134,863	14,616	-	-	149,479
Professional development	13,932	-	967	-	14,899
Professional fees	58,108	-	-	-	58,108
Rent	48,741	-	-	-	48,741
Salaries and benefits	1,392,613	-	92,801	-	1,485,414
Staff wellness and clothing	20,784	-	-	-	20,784
Syringe recovery	152	-	-	-	152
Telephone and internet	29,363	-	-	-	29,363
Transition costs	61,587	-	-	-	61,587
Travel	10,984	-	-	-	10,984
Vehicle costs	38,892	-	-	-	38,892
	<u>1,890,892</u>	<u>14,616</u>	<u>103,145</u>	<u>40,350</u>	<u>2,049,003</u>
Excess of Revenues over Expenditures	<u>\$ 218,949</u>	<u>\$ -</u>	<u>\$ 4,017</u>	<u>\$ 83,602</u>	<u>\$ 306,568</u>

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integral part of these audited financial statements.*



LONDON CARES HOMELESS RESPONSE SERVICES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

	2019
Cash Flows from Operating Activities	
Excess of revenues over expenditures	\$ 306,568
Items not requiring an outlay of cash:	
Amortization	42,717
Amortization of deferred capital contributions	<u>(2,368)</u>
	346,917
Changes in non-cash working capital:	
Accounts receivable	(122,111)
HST recoverable	(35,197)
Short-term investments	(10,438)
Prepaid expenses	(6,379)
Accounts payable and accrued liabilities	79,803
Deferred revenue	281,759
Deferred tangible capital asset contributions	<u>22,156</u>
	<u>209,593</u>
Net Cash Provided by Operating Activities	556,510
Cash Flows from Investing Activities	
Additions to tangible capital assets	<u>(136,445)</u>
Net Increase in Cash	420,065
Cash, Beginning of Year	<u>-</u>
Cash, End of Year	<u>\$ 420,065</u>

The attached Independent Auditor's Report and notes form an integral part of these audited financial statements.



LONDON CARES HOMELESS RESPONSE SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. Nature of the Business

London Cares Homeless Response Services, as outlined in its mission statement is a Housing first intervention aimed at individuals experiences chronic and persistent homelessness based on a highly collaborative community-based approach. London Cares Homeless Response Services is incorporated under the laws of the Province of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act

2. Significant Accounting Policies

The accompanying financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. Those policies that are considered to be particularly significant are outlined below:

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash and term deposits with a maturity period of three months or less from the date of acquisition.

(b) Investments

The organization's investments consist of guaranteed investment certificates ("GICs"), which are initially recognized at fair value and subsequently measured at amortized cost. When the investment is measured at amortized cost, any premium paid or discount received relative to the face amount of the investment, is amortized over the expected life of the item and recognized in net income. Transaction costs that are directly attributable to the acquisition of these investments are an adjustment to the fair value when initially recognized.

(c) Tangible Capital Assets and Amortization

Tangible capital assets purchased by London Cares Homeless Response Services are recorded at cost. Amortization is recorded in the accounts on the straight-line method using the predicted life described in note 4.

Leasehold improvements are recorded at cost and amortization is recorded using the straight line basis over the term of the lease.

(d) Donated Tangible Capital Assets

Items of a capital nature which are donated to the organization are capitalized in an amount equal to the estimated fair market value of the tangible capital assets and recorded as donation revenue in the capital fund.

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LONDON CARES HOMELESS RESPONSE SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

2. Significant Accounting Policies (continued)

(e) Revenue Recognition

London Cares Homeless Response Services follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Endowment contributions, if any, are recognized as direct increases in net assets.

(f) Contributed Services

Volunteers contribute many hours per year to assist London Cares Homeless Response Services in carrying out its activities. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

(g) Impairment of Long-lived Assets

Long-lived assets are tested for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(h) Inter-Program Revenue/Expenditures and Transfers

The organization's policy is to operate and account for its various programs and activities on a stand-alone basis wherever possible. Accordingly, certain inter-program revenue/expenditures and transfers are recorded in the accounts to reflect services rendered between programs. These transactions are identified and eliminated in the summary statement of receipts and disbursements to arrive at the organization's combined net funding and expenditures for the year.

(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 and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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LONDON CARES HOMELESS RESPONSE SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

2. Significant Accounting Policies (continued)

(j) Financial Instruments

The organization's financial instruments consist of cash, investments, accounts receivable, HST recoverable, accounts payable and accrued liabilities, and government remittances payable. The organization initially recognizes these financial instruments at fair value and subsequently, except for investments, at amortized cost. Investments are subsequently measured at fair value. Changes in fair value are recognized in net income.

3. Investments

Investments consist of the following

	2019
2.30% GIC maturing Sept. 2020	\$ 9,821
Libro shares	<u>617</u>
	<u>\$ 10,438</u>

4. Tangible Capital Assets

		Cost	Accumulated Depreciation	Net 2019
Computers	4 yr SL	\$ 27,162	\$ 3,395	\$ 23,767
Furniture	5 yr SL	49,617	4,962	44,655
Automobiles	5 yr SL	10,000	1,250	8,750
Leaseholds	1.5 yr SL	<u>49,666</u>	<u>33,110</u>	<u>16,556</u>
		<u>\$ 136,445</u>	<u>\$ 42,717</u>	<u>\$ 93,728</u>

5. Deferred Revenue

Deferred revenue represents externally restricted funds received that relate to a subsequent period. As at March 31, 2019, the balance of London Cares Homeless Response Services's deferred revenues were as follows:

Grant Donor	Deferred Revenue
City of London	\$ 259,520
United Way	6,855
London Community Foundation	<u>15,384</u>
	<u>\$ 281,759</u>

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LONDON CARES HOMELESS RESPONSE SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

6. Deferred Tangible Capital Asset Contributions

Deferred contributions related to tangible capital assets represent contributed tangible capital asset donated. These contributions are being amortized into income on the same basis as the related tangible capital assets. The changes in deferred contributions balance for the year are as follows:

	2019
Balance, beginning of year	\$ -
Add: increase in contributions received for capital purposes	22,156
Less: amortization of deferred capital contributions	<u>(2,368)</u>
Balance, end of year	<u>\$ 19,788</u>

7. Financial Instruments

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at March 31, 2019.

Credit Risk

During the normal course of business, the organization is exposed to credit risk in the event of non-performance by customers in connection with its accounts receivable. The organization mitigates this risk by monitoring customer accounts on a continual basis and by dealing with what management believes to be financially sound customers. The organization determines, on a continuing basis, the probable uncollectible amounts and sets up provisions for these debts based on estimated realizable value. Management does not anticipate significant loss for non-performance.

8. Allocation of Expenses

General support expenses that are common to the administration of London Cares Homeless Response Services and each of its programs have been allocated to the various programs as deemed appropriate by management and the board. The allocations have also been approved by those providing the funding.

9. Commitments

London Cares Homeless Response Services, has entered into a sublease agreement for the building it occupies. Under the terms of the sublease, which expires October 2019, London Cares Homeless Response Services pays insurance, repairs and maintenance, utilities and other like costs.

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