

**London Cares Homeless Response Services**

**Financial Statements**

**March 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of London Cares Homeless Response Services

*Opinion*

We have audited the financial statements of London Cares Homeless Response Services (the "Organization"), which comprise the statement of financial position as at March 31, 2020, 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, except for the impact of the matter described in the *Basis for Qualified Opinion* section of our report below, the accompanying financial statements present fairly, in all material respects, the financial position of London Cares Homeless Response Services as at March 31, 2020, 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.

*Basis for Qualified Opinion*

The Organization has recorded deferred capital asset contributions related to capital assets purchased with City of London funding. Canadian accounting standards for not-for-profit organizations require that such grant funding be recognized as revenue, and is deferred only when the funder specifies that the funds must be spent directly on capital assets. If these funds had been recorded as revenue in accordance with Canadian accounting standards for not-for-profit organizations, deferred capital asset contributions would have decreased by \$54,710 at March 31, 2020, revenue would have increased by \$34,921, and opening fund balance would have increased by \$19,789. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified because of the effects of this departure from Canadian accounting standards for not-for-profit organizations.

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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

*Other Matters*

The financial statements for the year ended March 31, 2019 were audited by another accounting firm and are presented for comparative purposes only.

*Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

(continues)

*James B. MacNeill FCPA, FCA, CFP    Jeremy A. Giles CPA, CA    Lissa Savage CPA, CA*  
*Mark Snyders CPA, CA    Robert F. Edmundson CPA, CA (Retired)*

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**INDEPENDENT AUDITOR'S REPORT (continued)**

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*Auditor's Responsibilities of Management 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.

London, Ontario  
June 24, 2020

*MacNeill Edmundson*  
PROFESSIONAL CORPORATION  
CHARTERED PROFESSIONAL ACCOUNTANTS  
Authorized to practice public accounting by  
Chartered Professional Accountants of Ontario

*James B. MacNeill FCPA, FCA, CFP    Jeremy A. Giles CPA, CA    Lissa Savage CPA, CA*  
*Mark Snyders CPA, CA    Robert F. Edmundson CPA, CA (Retired)*

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## London Cares Homeless Response Services

### Statement of Financial Position

	Total 2020 (\$)	Total 2019 (\$)
<b>March 31</b>		
<b>Assets</b>		
<b>Current Assets</b>		
Cash	288,687	420,065
Accounts receivable	175,096	122,111
Harmonized sales tax recoverable	18,183	35,197
Prepaid expenses	14,289	6,379
	<u>496,255</u>	<u>583,752</u>
Temporary investments (note 2)	11,533	10,438
Capital Assets (note 3)	97,615	93,727
	<u>605,403</u>	<u>687,917</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	132,357	79,803
Deferred revenue (note 4)	92,590	281,759
	<u>224,947</u>	<u>361,562</u>
Deferred Capital Asset Contributions (note 5)	54,710	19,788
	<u>279,657</u>	<u>381,350</u>
<b>Net Assets</b>		
City of London	218,949	218,949
London Community Foundation	-	-
United Way	4,017	4,017
Unrestricted	102,780	83,601
	<u>325,746</u>	<u>306,567</u>
	<u>605,403</u>	<u>687,917</u>

Approved on behalf of the Board:

\_\_\_\_\_, Director

\_\_\_\_\_, Director

## London Cares Homeless Response Services

### Statement of Operations and Changes in Net Assets

Year ended March 31, 2020	City of London (\$)	London Community Foundation (\$)	United Way (\$)	Unrestricted (\$)	Total 2020 (\$)	Total 2019 (\$)
<b>Revenues</b>						
Community Homeless Prevention Initiative	1,525,814				1,525,814	1,510,550
Informed Response	590,370				590,370	107,372
Housing Allowance	163,213				163,213	87,208
United Way			105,855		105,855	103,145
Donation income Centralized Coordinated				35,575	35,575	405,326
Access Program	26,760				26,760	
House to Home		15,384			15,384	14,616
Resting Spaces	12,418				12,418	
Grant income				10,000	10,000	
Amortization of deferred capital contributions (note 5)	7,558				7,558	2,368
Other income				4,637	4,637	5,814
HPS Community Inclusion						119,172
	<b>2,326,133</b>	<b>15,384</b>	<b>105,855</b>	<b>50,212</b>	<b>2,497,584</b>	<b>2,355,571</b>
<b>Operating Expenses</b>						
Salaries and benefits	1,780,856		96,855		1,877,711	1,485,414
Participant support	215,193	15,384			230,577	149,479
Rent	65,578				65,578	48,741
Vehicle costs	45,762				45,762	38,724
Telephone and internet	41,398				41,398	29,363
Professional fees	37,319				37,319	58,108
Moving costs	25,540				25,540	
Professional development	22,580				22,580	14,899
Amortization	7,558			31,033	38,591	42,718
Computer support	17,938				17,938	34,968
Office and administrative	16,097				16,097	20,407
Maintenance	14,820				14,820	10,182
Staff wellness and clothing	13,335				13,335	20,784
Computers, software and website	13,308				13,308	10,886
Travel costs	10,703				10,703	11,152
Insurance	5,477				5,477	5,391
Furniture and equipment	1,671				1,671	6,048
Administration cost allocation (note 8)	(9,000)		9,000			
Transition costs						61,588
Syringe recovery						152
	<b>2,326,133</b>	<b>15,384</b>	<b>105,855</b>	<b>31,033</b>	<b>2,478,405</b>	<b>2,049,004</b>
<b>Excess of Revenues over Expenses</b>	-	-	-	19,179	19,179	306,567
<b>Net assets, beginning of year</b>	218,949	-	4,017	83,601	306,567	-
<b>Net Assets, end of year</b>	218,949	-	4,017	102,780	325,746	306,567

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## London Cares Homeless Response Services

### Statement of Cash Flows

	2020	2019
<b>Year ended March 31, 2020</b>		
<b>Cash Flows From (Used in) Operating Activities</b>		
Excess (deficiency) of revenues over expenses	19,179	306,567
Less amortization of capital contributions	(7,558)	(2,368)
Add back amortization	38,591	42,717
	<u>50,212</u>	<u>346,916</u>
Net change in non-cash operational balances		
Accounts receivable	(52,985)	(122,111)
Prepaid expenses	(7,910)	(6,379)
Accounts payable	69,569	44,607
Deferred revenue	(189,169)	281,759
Deferred tangible capital asset contributions	42,479	22,156
	<u>(138,016)</u>	<u>220,032</u>
<b>Cash Flows From (Used in) Operating Activities</b>	<u>(87,804)</u>	<u>566,948</u>
Acquisition of capital assets	(42,479)	(136,445)
Decrease (Increase) in temporary investments (note 2)	(1,095)	(10,438)
<b>Cash Flows From (Used in) Investing Activities</b>	<u>(43,574)</u>	<u>(146,883)</u>
<b>Increase in Cash Flow</b>	<b>(131,378)</b>	<b>420,065</b>
<b>Cash, beginning of Year</b>	<u><b>420,065</b></u>	<u>-</u>
<b>Cash, end of Year</b>	<u><b>288,687</b></u>	<u><b>420,065</b></u>

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# London Cares Homeless Response Services

## Notes to the Financial Statements

March 31, 2020

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### Operations

London Cares Homeless Response Services (the "Organization") is a Housing first intervention aimed at individuals experiencing chronic and persistent homelessness based on a highly collaborative community-based approach. The Organization 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.

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### 1. Summary of Significant Accounting Policies

The Organization prepares its financial statements in compliance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are as follows.

#### (a) Cash and Cash Equivalent

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) Capital Assets and Amortization

Tangible capital assets purchased by the Organization are recorded at cost. Amortization is recorded in the accounts on the straight-line method using the predicted life as follows:

Computers	4 years straight-line method
Furniture	5 years straight-line method
Automobiles	5 years straight-line method
Leaseholds	10 years straight-line method

#### (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.

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# London Cares Homeless Response Services

## Notes to the Financial Statements

March 31, 2020

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### 1. Summary of Significant Accounting Policies (continued)

#### (e) Revenue Recognition

The Organization 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 the Organization 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.

#### (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.



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## London Cares Homeless Response Services

### Notes to the Financial Statements

March 31, 2020

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#### 2. Temporary Investments

	2020 Total (\$)	2019 Total (\$)
Guaranteed Investment Certificates	10,047	9,821
Libro Credit Union Membership Shares	1,486	617
Temporary Investments	<b>11,533</b>	10,438

Investments are comprised of guaranteed investment certificates maturing on September 28, 2020 earning interest at rates of 2.30%. Interest is paid at maturity.

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#### 3. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	2020 Net (\$)	2019 Net (\$)
Furniture and Fixtures	51,477	15,071	36,406	44,655
Vehicles	10,000	3,750	6,250	8,750
Computer Hardware	35,232	11,195	24,037	23,767
Leasehold Improvements	32,549	1,627	30,922	16,556
	<b>129,258</b>	<b>31,643</b>	<b>97,615</b>	93,728

#### 4. Deferred Revenue

	2020 (\$)	2019
City of London	92,591	259,520
London Community Foundation		15,384
United Way		6,855
	<b>92,591</b>	281,759

Deferred revenue represents externally restricted funds received that relate to a subsequent period.

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## London Cares Homeless Response Services

### Notes to the Financial Statements

March 31, 2020

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#### 5. Deferred Capital Asset Contributions

Deferred contributions related to capital assets represent contributed tangible assets donated, as well as funding spent on capital asset purchases. These contributions are being amortized into revenue on the same basis as the related capital assets. The changes in deferred contributions balance for the year is as follows:

Balance, beginning of year	19,788
Add: increase in contributions received for capital purposes	42,479
Less: amortization of deferred capital contributions	<u>(7,557)</u>
Balance, end of year	<u>54,710</u>

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#### 6. Commitments

The Organization has entered into a lease agreement for the building space it occupies. Under the terms of the lease, which expires October 2029, the expected lease payments are as follows:

2021	88,717
2022	89,601
2023	90,506
2024	91,420
2025	92,218
Subsequent	456,067

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# London Cares Homeless Response Services

## Notes to the Financial Statements

March 31, 2020

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### 7. Financial Instruments

All assets and liabilities, with the exception of prepaid expenses, are financial instruments, and are initially recorded at fair market value and are subsequently recorded at amortized cost. Unless otherwise noted, it is the Board's opinion that the Organization is not exposed to significant risks arising from its financial instruments.

#### Credit Risk

Credit risk is the potential for financial loss should a counter-party in a transaction fail to meet its obligations. The Organization places its cash and investments with high quality, government-backed institutions and believes its exposure is not significant. The Organization is not exposed to credit risk on the funding from various government agencies and affiliates.

#### Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities as they become due. The Organization manages this risk by establishing budgets and funding plans. Cash is held in an interest bearing account which provides a rate of return as well as liquidity.

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### 8. Allocation of Expenses

General support expenses that are common to the administration of the Organization 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.

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