

London Cares Homeless Response Services

Financial Statements

March 31, 2021

INDEPENDENT AUDITOR'S REPORT

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, 2021, 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 London Cares Homeless Response Services as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of the Service Agreements as administered by the City of London.

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

Basis of Accounting and Restrictions on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist London Cares Homeless Response Services to meet the requirement of the City of London. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for London Cares Homeless Response Services and the City of London and should not be distributed to parties other than London Cares Homeless Response Services or the City of London.

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 the financial reporting provisions of the Funding Agreement as administered by the City of London, 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.

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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)

INDEPENDENT AUDITOR'S REPORT (continued)

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 23, 2021

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)

London Cares Homeless Response Services

Statement of Financial Position

	Total 2021 (\$)	Total 2020 (\$)
March 31		
Assets		
Current Assets		
Cash	506,530	288,687
Accounts receivable	114,840	175,096
Harmonized sales tax recoverable	31,881	18,183
Prepaid expenses	67,276	14,289
	<u>720,527</u>	496,255
Temporary investments (note 2)	11,533	11,533
Capital Assets (note 3)	24,677	42,905
	<u>756,737</u>	550,693
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	294,919	132,357
Deferred revenue (note 4)	92,835	92,590
	<u>387,754</u>	224,947
Net Assets		
Unrestricted	<u>368,983</u>	325,746
	<u>756,737</u>	550,693

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, 2021	City of London (\$)	Community Hub (\$)	United Way (\$)	Unrestricted (\$)	Total 2021 (\$)	Total 2020 (\$)
Revenues						
Community Homeless Prevention Initiative	855,295				855,295	1,568,294
Informed Response	742,927				742,927	590,370
Resting Spaces	699,570				699,570	12,418
Outreach	635,095				635,095	
Housing Allowance	226,174				226,174	163,213
Pandemic funding	83,320	25,000			108,320	
United Way			99,000		99,000	105,855
Community Hub		66,750			66,750	
Other income				51,598	51,598	4,637
Donation income				18,867	18,867	35,575
Grant income				16,000	16,000	10,000
Centralized Coordinated Access Program						26,760
House to Home						15,384
	3,242,381	91,750	99,000	86,465	3,519,596	2,532,506
Operating Expenses						
Salaries and benefits	2,275,286		93,209		2,368,495	1,877,711
Participant support	303,776	25,017			328,793	230,577
Maintenance	255,764	39,964		25,000	320,728	14,820
Rent	126,488				126,488	65,578
Professional fees	44,873	24,945			69,818	37,319
Training, health and safety	66,666				66,666	22,580
Vehicle costs	52,383				52,383	45,762
Telephone and internet	36,759				36,759	41,398
Computer support	23,041				23,041	17,938
Computers, software and website	18,268				18,268	21,378
Amortization				18,228	18,228	31,034
Office and administrative	17,758				17,758	16,097
Staff wellness and clothing	14,394				14,394	13,335
Travel costs	8,047				8,047	10,703
Insurance	6,206				6,206	5,477
Furniture and equipment	287				287	1,671
Moving costs						59,949
Admin cost allocation (note 7)	(7,615)	1,824	5,791			
	3,242,381	91,750	99,000	43,228	3,476,359	2,513,327
Excess of Revenues over Expenses	-	-	-	43,237	43,237	19,179
Net assets, beginning of year	-	-	-	325,746	325,746	306,567
Net Assets, end of year	-	-	-	368,983	368,983	325,746

London Cares Homeless Response Services

Statement of Cash Flows

	2021	2020
Year ended March 31, 2021		
Cash Flows From (Used in) Operating Activities		
Excess (deficiency) of revenues over expenses	43,237	19,179
Add back amortization	18,228	31,033
	<u>61,465</u>	<u>50,212</u>
Net change in non-cash operational balances		
Accounts receivable	60,256	(52,985)
Prepaid expenses	(52,987)	(7,910)
Accounts payable	148,864	69,569
Deferred revenue	245	(189,169)
	<u>156,378</u>	<u>(180,495)</u>
Cash Flows From (Used in) Operating Activities	<u>217,843</u>	<u>(130,283)</u>
Decrease (Increase) in temporary investments (note 2)		<u>(1,095)</u>
Increase in Cash Flow	217,843	(131,378)
Cash, beginning of Year	<u>288,687</u>	<u>420,065</u>
Cash, end of Year	<u>506,530</u>	<u>288,687</u>

London Cares Homeless Response Services

Notes to the Financial Statements

March 31, 2021

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.

1. Summary of Significant Accounting Policies

Basis of presentation

The financial statements were prepared in accordance with the financial reporting provisions of the Service Agreements as administered by the City of London. The basis of accounting used in these financial statements materially differs from Canadian accounting standards for not-for-profit organizations as follows:

1. Tangible capital assets purchased with funding provided through the Service Agreements are charged to operations in the year the expenditure is incurred rather than being capitalized on the statement of financial position and amortized over their useful lives.

Other significant accounting policies that are in accordance with Canadian accounting standards for not-for-profit organizations include:

(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.

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London Cares Homeless Response Services

Notes to the Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies (continued)

(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

(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.

(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.

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London Cares Homeless Response Services

Notes to the Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies (continued)

(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.

2. Temporary Investments

	2021 Total (\$)	2020 Total (\$)
Guaranteed Investment Certificates	10,047	10,047
Libro Credit Union Membership Shares	1,486	1,486
Temporary Investments	11,533	11,533

Investments are comprised of guaranteed investment certificates maturing on September 28, 2022 earning interest at rates of 1.15%. Interest is paid at maturity.

3. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	2021 Net (\$)	2020 Net (\$)
Furniture	33,547	16,773	16,774	23,483
Automobiles				6,250
Computers	21,076	13,173	7,903	13,172
	54,623	29,946	24,677	42,905

London Cares Homeless Response Services

Notes to the Financial Statements

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4. Deferred Revenue

	2021 (\$)	2020
City of London	62,835	92,590
London Community Foundation	30,000	
	92,835	92,590

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

5. Commitments

The Organization has entered into a lease agreement for the building space it occupies. Under the terms of the lease, which expires May 2031, the expected lease payments are as follows:

2022	258,753
2023	445,426
2024	449,880
2025	454,378
2026	458,922
Subsequent	2,553,252

The organization intends to enter into certain sub-leases with other organizations for a portion of the premises mentioned above.

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March 31, 2021

6. 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.

7. 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.

8. Prior Year Restatement

The Organization changed its accounting policy in regards to capital assets during the year, on a retroactive basis, as described in Note 1 to better reflect the utilization of funding revenue.. As a result, capital assets as at March 31, 2020 decreased by \$54,710 with a corresponding decrease in deferred capital contributions. For the year ended March 31, 2020 there was an increase in Community Homeless Prevention Initiative revenue and increase in expenses by \$54,710, offset by a decrease of \$7,558 to amortization of deferred capital contributions and amortization of capital assets. There was no change to opening net asset balances as a result of the above.
