

London Cares Homeless Response Services

Financial Statements

March 31, 2022

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, 2022, 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, 2022, 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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Jeremy A. Giles CPA, CA Lissa Savage CPA, CA, CPA (Illinois)

Mark Snyders CPA, CA Dillon O'Henly CPA, CA

James B. MacNeill FCPA, FCA, CFP (Counsel) 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 22, 2022

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

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London Cares Homeless Response Services

Statement of Financial Position

March 31	Total 2022 (\$)	Total 2021 (\$)
Assets		
Current Assets		
Cash	719,003	506,530
Accounts receivable	92,723	114,840
Harmonized sales tax recoverable	40,175	31,881
Prepaid expenses	40,021	67,276
	891,922	720,527
Temporary investments (note 2)	13,126	11,533
Capital Assets (note 3)	134,692	24,677
	1,039,740	756,737

Liabilities

Current Liabilities		
Accounts payable and accrued liabilities	293,192	294,919
Deferred revenue (note 4)	341,254	92,835
	634,446	387,754

Net Assets

United Way	1,611	-
Unrestricted (note 6)	403,683	368,983
	405,294	368,983
	1,039,740	756,737

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, 2022	City of London (\$)	Community Hub (\$)	United Way (\$)	Unrestricted (\$)	Total 2022 (\$)	Total 2021 (\$)
Revenues						
Community Homeless Prevention Initiative	888,797				888,797	855,295
Informed Response	680,119				680,119	742,927
Resting Spaces	767,388				767,388	699,570
Outreach	1,044,188				1,044,188	635,095
Housing Allowance	281,083				281,083	226,174
Pandemic funding						108,320
United Way			120,000		120,000	99,000
Community Hub		279,200			279,200	66,750
Other income				4,520	4,520	51,598
Donation income				48,454	48,454	18,867
Grant income						16,000
	3,661,575	279,200	120,000	52,974	4,113,749	3,519,596
Operating Expenses						
Salaries and benefits	2,684,721		102,837		2,787,558	2,368,495
Participant support	354,624				354,624	328,793
Maintenance and leaseholds	60,146	250,570			310,716	320,728
Professional fees	140,568	7,200			147,768	69,818
Rent	142,036				142,036	126,488
Training, health and safety	41,539	21,430			62,969	66,666
Telephone and internet	57,329		1,454		58,783	36,759
Vehicle costs	40,673		2,965		43,638	52,383
Computer support	36,937				36,937	23,041
Travel costs	26,474				26,474	8,047
Office and administrative	24,623		371		24,994	17,758
Computers, software and website	21,840				21,840	18,268
Staff wellness and clothing	18,803				18,803	14,394
Amortization				18,274	18,274	18,228
Furniture and equipment	15,000				15,000	287
Insurance	7,024				7,024	6,206
Admin cost allocation (note 8)	(10,762)		10,762			
	3,661,575	279,200	118,389	18,274	4,077,438	3,476,359
Excess of Revenues over Expenses	-	-	1,611	34,700	36,311	43,237
Net assets, beginning of year	-	-	-	368,983	368,983	325,746
Net Assets, end of year	-	-	1,611	403,683	405,294	368,983

London Cares Homeless Response Services

Statement of Cash Flows

	2022	2021
Year ended March 31, 2022		
Cash Flows From (Used in) Operating Activities		
Excess (deficiency) of revenues over expenses	36,311	43,237
Add back amortization	18,274	18,228
	<u>54,585</u>	<u>61,465</u>
Net change in non-cash operational balances		
Accounts receivable	22,117	60,256
Prepaid expenses	27,255	(52,987)
Accounts payable	(10,020)	148,864
Deferred revenue	248,419	245
	<u>287,771</u>	<u>156,378</u>
Cash Flows From (Used in) Operating Activities	<u>342,356</u>	<u>217,843</u>
Acquisition of capital assets	(128,290)	
Decrease (Increase) in temporary investments (note 2)	(1,593)	
Cash Flows From (Used in) Investing Activities	<u>(129,883)</u>	
Increase in Cash Flow	212,473	217,843
Cash, beginning of Year	<u>506,530</u>	<u>288,687</u>
Cash, end of Year	<u>719,003</u>	<u>506,530</u>

London Cares Homeless Response Services

Notes to the Financial Statements

March 31, 2022

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 or other restricted funding agreements from other funders 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 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.

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London Cares Homeless Response Services

Notes to the Financial Statements

March 31, 2022

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
Leasehold Improvements	Straight-line method over 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.

(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.

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London Cares Homeless Response Services

Notes to the Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies (continued)

(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.

2. Temporary Investments

	2022	2021
	Total	Total
	(\$)	(\$)
Guaranteed Investment Certificates	10,281	10,047
Libro Credit Union Membership Shares	2,845	1,486
Temporary Investments	13,126	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.

London Cares Homeless Response Services

Notes to the Financial Statements

March 31, 2022

3. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	2022 Net (\$)	2021 Net (\$)
Furniture	33,547	23,483	10,064	16,774
Computers	21,076	18,442	2,634	7,903
Leasehold Improvements	128,290	6,296	121,994	
	182,913	48,221	134,692	24,677

4. Deferred Revenue

	2022 (\$)	2021
City of London	306,178	62,835
London Community Foundation		30,000
Other	35,076	
	341,254	92,835

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

5. Lease Commitments

The Organization has entered into a lease agreement for the building space it occupies, to be known as "The Hub". Additionally, it has entered into various sub-leases with other organizations for a portion of the premises, and also has some additional space available for sub-lease. Under the terms of these agreements, which expires May 2031, the expected gross lease payments (and lease payments net of sub-leases) are as follows:

	GROSS	NET
2023	331,446	104,140
2024	467,574	237,996
2025	472,073	240,198
2026	476,617	242,423
2027	486,952	247,484
Subsequent	2,154,773	1,048,839

London Cares Homeless Response Services

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6. Commitments

The Organization has entered into a contract, along with two partner organizations, for leasehold improvements at 602 Queens Avenue. The renovations are in progress, with \$378,860 being incurred up to March 31, 2022, and the remaining costs to complete of approximately \$176,100 expected to be incurred in Fiscal 2023.

The Organization was able to obtain funding for a significant portion of these costs, however, the expected impact on Unrestricted Funds at the completion of the project can be illustrated as follows:

Unrestricted Funds as at March 31, 2022	403,683
Less: currently invested in capital assets	(134,692)
Less: expected remaining unfunded leasehold costs	<u>(176,100)</u>
Unrestricted Funds available for other uses	<u>92,891</u>

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.

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.
