

London Cares Homeless Response Services

Financial Statements

March 31, 2023

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, 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 London Cares Homeless Response Services as at March 31, 2023, 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.

(continues)

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 28, 2023

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

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)

London Cares Homeless Response Services

Statement of Financial Position

March 31	Total 2023 (\$)	Total 2022 (\$)
Assets		
Current Assets		
Cash	1,166,593	719,003
Temporary investments (note 2)	13,126	13,126
Accounts receivable	205,640	92,723
Harmonized sales tax recoverable	123,586	40,175
Prepaid expenses	60,342	40,021
Restricted cash (note 5)	487,113	-
	2,056,400	905,048
Capital Assets (note 3)	315,738	134,692
	2,372,138	1,039,740
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	528,659	293,192
Deferred revenue (note 4)	905,684	341,254
Amounts administered for other parties (note 5)	487,113	-
	1,921,456	634,446
Net Assets		
United Way	-	1,611
Unrestricted	134,944	268,991
Invested in capital assets	315,738	134,692
	450,682	405,294
	2,372,138	1,039,740

Approved on behalf of the Board:

_____, Director

_____, Director

London Cares Homeless Response Services Statement of Operations

Year ended March 31, 2023	602 Queens Capital Costs (\$)	City of London (\$)	602 Queens Service Hub (\$)	United Way (\$)	Unrestricted (\$)	Total 2023 (\$)	Total 2022 (\$)
Revenues - City of London							
Outreach and Informed Response		1,454,598				1,454,598	1,385,523
Homeless Response		899,825				899,825	888,797
Resting Spaces		662,131				662,131	767,388
Capital Construction	500,000					500,000	
Housing Allowance		278,669				278,669	281,083
Winter Response		113,062				113,062	338,784
Service Hub			75,438			75,438	
Revenues - Other							
United Way				125,000		125,000	120,000
Capital funding	89,000					89,000	279,200
Donation income		5,050			79,878	84,928	48,454
Ontario Trillium Foundation			33,973			33,973	
Other income					13,230	13,230	4,520
	589,000	3,413,335	109,411	125,000	93,108	4,329,854	4,113,749
Expenses							
Salaries and benefits		2,588,842	71,988	108,189		2,769,019	2,787,558
Leasehold improvements	589,000					589,000	250,570
Participant support		371,114	550			371,664	354,624
Rent		156,266				156,266	142,036
Information technology and communications		85,931		1,400		87,331	117,560
Professional fees		62,508	4,365	124		66,997	147,768
Maintenance		46,185	15,264		4,000	65,449	60,146
Vehicle and travel costs		57,123		3,735		60,858	70,112
Professional development		25,499	7,814	726		34,039	63,340
Amortization					32,869	32,869	18,274
Office and administrative		25,181				25,181	24,623
Staff wellness and clothing		15,249		1,000		16,249	18,803
Insurance		9,544				9,544	7,024
Furniture and equipment							15,000
Administration cost allocation		(30,107)	9,430	11,437	9,240		
	589,000	3,413,335	109,411	126,611	46,109	4,284,466	4,077,438
Excess of Revenues over Expenses				(1,611)	46,999	45,388	36,311
Net Assets, beginning of year				1,611	403,683	405,294	368,983
Net Assets, end of year					450,682	450,682	405,294

London Cares Homeless Response Services

Statement of Cash Flows

Year ended March 31, 2023	2023	2022
	(\$)	(\$)
Cash Flows From (Used in) Operating Activities		
Excess (deficiency) of revenues over expenses	45,388	36,311
Add back amortization	32,869	18,274
	78,257	54,585
Net change in non-cash operational balances		
Accounts receivable	(112,917)	22,117
Prepaid expenses	(20,321)	27,255
Accounts payable	152,055	(10,020)
Deferred revenue	564,430	248,419
	583,247	287,771
Cash Flows From (Used in) Operating Activities	661,504	342,356
Acquisition of capital assets	(213,914)	(128,290)
Decrease (Increase) in temporary investments (note 2)		(1,593)
Cash Flows From (Used in) Investing Activities	(213,914)	(129,883)
Increase in Cash Flow	447,590	212,473
Cash, beginning of Year	719,003	506,530
Cash, end of Year	1,166,593	719,003

London Cares Homeless Response Services

Notes to the Financial Statements

March 31, 2023

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.

(continues)

London Cares Homeless Response Services

Notes to the Financial Statements

March 31, 2023

1. Summary of Significant Accounting Policies (continued)

(c) Capital Assets and Amortization

Tangible capital assets purchased by the Organization (from unrestricted funds) 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
Leasehold Improvements	Straight-line method over term of the lease

(d) 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.

(e) 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.

(f) 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.

(continues)

London Cares Homeless Response Services

Notes to the Financial Statements

March 31, 2023

1. Summary of Significant Accounting Policies (continued)

(g) 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.

(h) 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.

(i) 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

	2023	2022
	Total	Total
	(\$)	(\$)
Guaranteed Investment Certificates	10,281	10,281
Libro Credit Union Membership Shares	2,845	2,845
Temporary Investments	13,126	13,126

Investments are comprised of guaranteed investment certificates maturing on September 28, 2023 earning interest at rates of 3.95%. Interest is paid at maturity.

London Cares Homeless Response Services

Notes to the Financial Statements

March 31, 2023

3. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	2023 Net (\$)	2022 Net (\$)
Furniture	33,547	30,192	3,355	10,064
Computers	21,076	21,076		2,634
Leasehold Improvements	342,204	29,821	312,383	121,994
	396,827	81,089	315,738	134,692

4. Deferred Revenue

	2023 (\$)	2022 (\$)
City of London	692,031	306,178
Ontario Trillium Foundation	93,827	
London Community Foundation	70,000	
Other	49,826	35,076
	905,684	341,254

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

London Cares Homeless Response Services

Notes to the Financial Statements

March 31, 2023

5. Amounts Administered for Other Parties

The organization administers certain funds received from the City of London on behalf of other parties external to the organization related to the Winter Response Program. The funds are held in trust and disbursed in accordance with the terms and conditions of the funding agreements.

The following table summarizes the activity in such funds during the year:

	2023 (\$)	2022 (\$)
Funds received	1,799,077	-
Funds expended	(1,311,964)	-
Change during the year	487,113	-
Balance administered for other parties - beginning of year	-	-
Balance administered for other parties - end of year	487,113	-

6. Lease Commitments

The Organization has entered into a lease agreement for the building space it occupies, to be known as "The 602 Queens Service 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 (\$)
2024	467,574	237,627
2025	471,705	239,830
2026	476,249	242,055
2027	486,583	247,116
2028	498,315	252,861
Subsequent	1,654,985	794,506

London Cares Homeless Response Services

Notes to the Financial Statements

March 31, 2023

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.

9. Comparative Figures

Some of the prior year comparative figures were reclassified to conform with current year presentation.
