

Mission Services of Hamilton Inc.
Financial Statements
March 31, 2024

INDEPENDENT AUDITOR'S REPORT

To the Directors of Mission Services of Hamilton Inc.

Opinion

We have audited the financial statements of Mission Services of Hamilton Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2024, 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 the Organization as at March 31, 2024, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 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 Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 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.

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Millard, Rouse & Rosebrugh LLP

85 Robinson Street, Simcoe, ON N3Y 1W7 T: 519.426.1606
SIMCOE BRANTFORD HAGERSVILLE

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.

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.

Millard, Rouse & Rosebrugh LLP

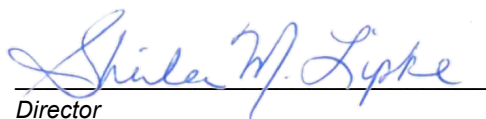
Millard, Rouse & Rosebrugh LLP
Chartered Professional Accountants
Licensed Public Accountants

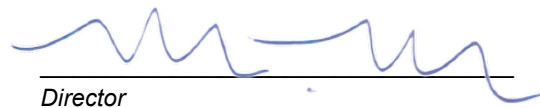
October 1, 2024
Simcoe, Ontario

Mission Services of Hamilton Inc.
Statement of Financial Position
As at March 31, 2024

	2024	2023
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 847,673	\$ 635,033
Cash - Trusteeship client funds (Note 4)	216,308	200,169
Accounts receivable	1,531,201	445,533
Prepaid expenses	27,368	31,119
Due from related party (Note 5)	-	505,000
	2,622,550	1,816,854
Property and equipment (Note 6)	12,422,807	6,956,587
Reserve cash and cash equivalents (Note 7)	2,000,000	1,550,000
	\$ 17,045,357	\$ 10,323,441
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 929,316	\$ 775,558
Government remittances payable	976,088	183,695
Trusteeship client funds (Note 4)	216,308	200,169
Deferred contributions (Note 8)	157,121	140,959
Current portion of deferred lease rental (Note 9)	5,000	5,000
	2,283,833	1,305,381
Deferred lease rental (Note 9)	32,500	37,500
Deferred capital contributions (Note 10)	5,815,012	3,836,532
Due to related party (Note 5)	665,000	-
	8,796,345	5,179,413
Net Assets		
Unrestricted	(358,783)	473,973
Invested in property and equipment	6,607,795	3,120,055
Internally restricted (Note 7)	2,000,000	1,550,000
	8,249,012	5,144,028
	\$ 17,045,357	\$ 10,323,441

ON BEHALF OF THE BOARD


 Director


 Director

Mission Services of Hamilton Inc.
Statement of Changes in Net Assets
Year ended March 31, 2024

	Unrestricted	Invested in Property and Equipment	Internally Restricted	2024 Total	2023 Total
NET ASSETS - BEGINNING OF YEAR	\$ 473,973	\$ 3,120,055	\$ 1,550,000	\$ 5,144,028	\$ 5,174,665
Excess (deficiency) of revenue over expenditures	609,176	2,495,808	-	3,104,984	(30,637)
Purchased property and equipment	(7,962,370)	7,962,370	-	-	-
Proceeds on disposal of property and equipment	3,878,455	(3,878,455)	-	-	-
Deferred capital contributions received and spent	3,091,983	(3,091,983)	-	-	-
Inter-fund transfers <i>(Note 7)</i>	(450,000)	-	450,000	-	-
NET ASSETS - END OF YEAR	\$ (358,783)	\$ 6,607,795	\$ 2,000,000	\$ 8,249,012	\$ 5,144,028

See accompanying notes to financial statements

Mission Services of Hamilton Inc.
Statement of Revenues and Expenditures
Year ended March 31, 2024

	2024	2023
Revenues		
Contract revenue	\$ 35,112	\$ 73,541
Donations - operations	3,226,288	3,213,964
Donations - designated	1,609,851	910,600
Donations - in-kind	128,960	140,316
Government funding	7,882,405	7,733,537
Other income	67,165	42,640
Rental income	11,800	25,946
	12,961,581	12,140,544
Expenditures		
Wages and benefits	8,879,770	8,590,427
Occupancy costs	1,232,254	1,133,696
Program costs	902,587	1,032,587
Development costs	572,983	496,497
Administrative and professional fees	516,820	437,009
Donations in-kind	128,957	140,316
Other personnel and volunteer costs	71,702	93,016
Bank charges	47,332	46,980
	12,352,405	11,970,528
Excess of revenues over expenditures before other income and expenses	609,176	170,016
Other income and expenses		
Amortization of property and equipment	(591,704)	(426,880)
Amortization of deferred capital contributions	260,987	221,228
Gain on disposal of property and equipment	2,826,525	4,999
	2,495,808	(200,653)
Excess (deficiency) of revenue over expenditures for the year	\$ 3,104,984	\$ (30,637)

See accompanying notes to financial statements

Mission Services of Hamilton Inc.

Statement of Cash Flows

Year ended March 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 3,104,984	\$ (30,637)
Items not affecting cash:		
Amortization of property and equipment	591,704	426,880
Amortization of deferred capital contributions	(260,987)	(221,228)
Gain on disposal of property and equipment	(2,826,525)	(4,999)
Amortization of deferred lease rental	(5,000)	(5,000)
	604,176	165,016
Changes in non-cash working capital:		
Accounts receivable	(1,085,669)	55,116
Accounts payable and accrued liabilities	(29,936)	206,501
Deferred contributions	16,162	(76,356)
Prepaid expenses	3,751	11,294
Government remittances payable	976,088	-
	(119,604)	196,555
Cash flow from operating activities	484,572	361,571
INVESTING ACTIVITIES		
Purchase of property and equipment	(7,962,370)	(504,181)
Proceeds on disposal of property and equipment	3,878,455	16,000
Cash flow used by investing activities	(4,083,915)	(488,181)
FINANCING ACTIVITIES		
Repayments from related party	1,170,000	95,000
Deferred capital contributions received	3,091,983	86,439
Cash flow from financing activities	4,261,983	181,439
INCREASE IN CASH	662,640	54,829
Cash - beginning of year	2,185,033	2,130,204
CASH - END OF YEAR	\$ 2,847,673	\$ 2,185,033
Cash consists of:		
Cash and cash equivalents	\$ 847,673	\$ 635,033
Reserve cash and cash equivalents	2,000,000	1,550,000
	\$ 2,847,673	\$ 2,185,033

See accompanying notes to financial statements

Mission Services of Hamilton Inc.

Notes to Financial Statements

Year ended March 31, 2024

1. PURPOSE OF THE ORGANIZATION

Mission Service of Hamilton, Inc. (the "Organization") is a Christian, registered charitable not-for-profit organization of Ontario incorporated without share capital. As a registered charity, the Organization is exempt from the payment of income tax under Subsection 149(1) of the Income Tax Act.

The purpose of the Organization is to serve men, women and children in the greater Hamilton area in response to basic human needs and to support them in reaching their potential, thereby fulfilling God's call to act justly, to show mercy and to offer hope.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Net Asset Balances

Unrestricted net assets represent assets and liabilities used to support the ongoing operations of the Organization.

Invested in property and equipment net assets represent the Organization's investment in property and equipment and their receipt of capital grants related to that property and equipment.

Internally restricted net assets represent assets held to fund future operations and capital projects. The use of these assets require authorization from the Organization's Board of Directors.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Externally restricted donations and government funding are recognized as revenue in the year in which the related expenses are incurred. Unrestricted donations and government funding are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Government funding repayable, as a result of the Organization having unspent funding at year-end, is deducted from government funding recognized in the year.

Externally restricted capital grants are amortized into revenue on the same basis as the assets to which they relate and are included in deferred capital contributions.

Contract, rental and other revenue is recorded when the service is provided and collection is reasonably assured.

Donations In-kind

Donations of supplies, food, equipment and sundry items which are used in the normal course of the Organization's operations and would otherwise have been purchased are recorded at their fair market value at the date of contribution.

Contributed Services

Volunteers contribute significant amounts of time to assist the Organization in carrying out its service delivery activities. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

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Mission Services of Hamilton Inc.

Notes to Financial Statements

Year ended March 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and Cash Equivalents

Cash and cash equivalents and reserve cash and cash equivalents include amounts on deposit with financial institution and high interest savings accounts.

Interest income earned on funds is reported in the period earned and included in other income.

Property and Equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Buildings	5%	declining balance method
Furniture and equipment	20%	declining balance method
Motor vehicles	30%	declining balance method
Computer equipment	30%	declining balance method

The Organization regularly reviews its property and equipment to eliminate obsolete items, and tests for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

In the year of acquisition, the amortization charge is reduced by one half. Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Any gain or loss on disposal of individual property and equipment is recognized in the statement of revenues and expenditures in the year of disposal. The amortization charge on assets disposed is reduced by one half.

Normal maintenance and repair expenditures are expensed in the year.

Leased Assets

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued, except for related party transactions, which are recorded at the carrying or exchange amount depending on the circumstances. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost. The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, due to/from related party, accounts payable and accrued liabilities, government remittances payable, trusteeship client funds, deferred contributions and deferred lease rental.

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Mission Services of Hamilton Inc.

Notes to Financial Statements

Year ended March 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. The estimates in these financial statements relates to the allowance for the useful lives of property and equipment and deferred capital contributions, accrued liabilities and deferred revenue.

3. CASH AND CASH EQUIVALENTS

The Organization has available \$300,000 of operating credit facilities at the bank's prime rate plus 0.75%. The facilities are secured by the land and buildings owned by the Organization. There were no funds advanced under these credit facilities at March 31, 2024.

4. CASH - TRUSTEESHIP CLIENT FUNDS

The Organization operates a trusteeship program in which funds are received and disbursed on behalf of clients.

5. RELATED PARTY TRANSACTIONS AND BALANCES

The Organization and Mission Services of Hamilton Foundation (the "Foundation") are related by virtue of sharing controlling members of their Board of Directors and management. The accounts of the Foundation are not reflected in these financial statements. The Foundation is a registered charity incorporated without share capital, and is exempt from federal and provincial income taxes.

The following is a summary of the unaudited financial information for the Foundation:

	2024	2023
Total assets	\$ 880,727	\$ 1,251,556
Total liabilities	150,000	750,000
Net assets	730,727	501,556
Revenues	17,469	176,088
Expenditures	985	1,342
Cash flows from operating activities	16,484	174,717

The Organization had not received any designated donation revenue from the Foundation (2023 - \$50,000). These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to between the related parties.

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Mission Services of Hamilton Inc.

Notes to Financial Statements

Year ended March 31, 2024

5. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

Due to/from Related Party

	2024	2023
Due to Mission Services of Hamilton Foundation	\$ 665,000	\$ -
Due from Mission Services of Hamilton Foundation	-	505,000

The balance is unsecured, non-interest-bearing, and has no specific terms of repayment.

Subsequent to year end, the Foundation filed articles of dissolution. Once these dissolution articles are approved by the government, the Foundation will cease to exist and the Organization will assume all assets and liabilities of the Foundation.

6. PROPERTY AND EQUIPMENT

	2024		2023	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 261,725	\$ -	\$ 379,078	\$ -
Buildings	15,669,916	4,206,049	12,400,681	6,339,440
Furniture and equipment	2,111,664	1,458,577	1,792,826	1,356,598
Motor vehicles	276,651	241,032	303,496	235,612
Computer equipment	419,417	410,908	419,417	407,261
	\$ 18,739,373	\$ 6,316,566	\$ 15,295,498	\$ 8,338,911
Net book value	\$ 12,422,807		\$ 6,956,587	

7. RESERVE CASH AND INTERNALLY RESTRICTED NET ASSETS

The reserve cash and internally restricted net assets are approved by the Board of Directors and relate to funds specifically held for capital projects and to fund future operations. During the year, the Board of Directors had approved to increase the reserve cash and internally restricted net assets by \$450,000 (2023: \$nil). The internally restricted net assets of \$2,000,000 (2023: \$1,550,000) are fully funded from cash and cash equivalents.

Mission Services of Hamilton Inc.

Notes to Financial Statements

Year ended March 31, 2024

8. DEFERRED CONTRIBUTIONS

Deferred contributions consists of government funding, capital grants - unspent and externally restricted donations. Government funding is recognized as revenue in the year in which the related expenses are incurred. Capital grants that are unspent are recognized as deferred capital contributions when the underlying asset is purchased and amortized into revenue over the useful life of the underlying asset. Externally restricted donations are recognized as revenue in the year in which Organization had abided by the restrictions set. Deferred contributions at year end is comprised of:

	2024	2023
Government funding	\$ 67,404	\$ -
Capital grants - unspent	24,791	82,090
Externally restricted donations	64,926	58,869
	\$ 157,121	\$ 140,959

9. DEFERRED LEASE RENTAL

The Organization purchased a property in October 2011 for a total purchase price of \$450,000. A portion of the property was subsequently leased back to the vendor. Total cash of \$350,000 was paid to the vendor, with the balance of \$100,000 representing deferred rent related to the lease agreement entered into with the vendor, which is being amortized over the term of the lease of 20 years.

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represents the unamortized amount of capital grants that were spent on the purchase of property and equipment during the year and in subsequent years.

	Capital Grants	Accumulated Amortization	2024	2023
Land	\$ 261,725	\$ -	\$ 261,725	\$ 261,725
Buildings	8,467,291	3,037,655	5,429,636	3,422,026
Furniture and equipment	789,189	689,903	99,286	117,975
Motor vehicles	184,904	160,711	24,193	34,561
Computer equipment	138,172	138,000	172	245
	\$ 9,841,281	\$ 4,026,269	\$ 5,815,012	\$ 3,836,532

Mission Services of Hamilton Inc.

Notes to Financial Statements

Year ended March 31, 2024

11. CAPITAL FUNDING AND CONTINGENT LIABILITIES

The Organization received capital funding of \$3,040,000 during the year from the City of Hamilton for the purchase of its 400 King Street East property. This purchase facilitated the Organization to move their Emergency Men's Shelter from its previous location at 309 and 325 James Street North to the 400 King Street East property. An agreement is in place which may require the repayment of these funds if the 400 King Street East property is sold or ceases to be used for its intended purposes without the City of Hamilton's written consent being first obtained, for a period of 20 years.

Due to the Organization moving their Emergency Men's Shelter operations, 309 and 325 James Street North properties were sold during the year. Capital funding was received in 2002 in the amount of \$575,000 from the City of Hamilton under the Supporting Communities Partnership Initiative (SCPI), and this funding was utilized to fund the renovations to the 309 and 325 James Street North properties. An agreement was in place which may have required the repayment of these funds if the properties were sold or cease to be used for their intended purposes. The Organization and the City of Hamilton came to an agreement to waive the repayment of this funding as the proceeds from the sale of the properties were used to fund the 400 King Street East property, which is fulfilling the purpose of the 309 and 325 James Street North properties.

Capital funding was received in fiscal 2003 in the amount of \$750,000 from the Ministry of Community and Social Services (the "Ministry"). This funding was utilized to assist in the renovations to 81 Stuart Street (Inasmuch House). An agreement has been registered placing a restriction on title of the property, which prohibits any changes to the property without written approval from the Ministry.

12. LEASE COMMITMENTS

The Organization has entered into various operating leases for office equipment and an operating lease for a location. The future minimum annual lease payments are as follows:

2025	\$	55,940
2026		8,960
2027		8,960
2028		8,960
2029		5,790
		<hr/>
	\$	<u>88,610</u>

Mission Services of Hamilton Inc.

Notes to Financial Statements

Year ended March 31, 2024

13. FINANCIAL INSTRUMENT RISKS

The following analysis provides information about the Organization's risk exposure and concentration as of March 31, 2024.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in market interest rates. The Organization is exposed to interest rate risk primarily through its cash and cash equivalents held in high interest savings accounts. This risk has not changed from the prior year.

Liquidity risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises from the Organization's accounts payable and accrued liabilities, government remittances payable and commitments. This risk has not changed from the prior year.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from government funders and customers. The Organization's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable balances. This risk has not changed from the prior year.

14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.