

Aid Street Mission Inc.
Financial Statements
Year ended December 31, 2021

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To the Members of Ark Aid Street Mission Inc.:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Ark Aid Street Mission Inc. (the "Organization"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in fund balances and statement of 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 possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2021, 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

In common with many not-for-profit organizations, Ark Aid Street Mission Inc. derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Ark Aid Street Mission Inc. and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenditures and cash flows for the years ended December 31, 2021 and December 31, 2020, and current assets and fund balances as at December 31, 2021 and December 31, 2020.

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

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.

Report on Other Legal and Regulatory Requirements

As required by the Corporations Act of Ontario, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

MNP LLP

London, Ontario

Chartered Professional Accountants

June 30, 2022

Licensed Public Accountants

Ark Aid Street Mission Inc.
(Incorporated under the laws of Ontario)
Statement of Financial Position
As at December 31, 2021

	<i>Operating Fund</i>	<i>Capital Fund</i>	<i>Total 2021</i>	<i>Total 2020</i>
Assets				
Current				
Cash	\$ 1,020,576	\$ -	\$ 1,020,576	\$ 1,202,659
Accounts receivable	124,669	-	124,669	35,812
Prepaid expenses	92,304	-	92,304	-
Short-term investments (Note 3)	84,744	154,020	238,764	235,260
	1,322,293	154,020	1,476,313	1,473,731
Long-term				
Property, automotive and kitchen equipment (Note 4)	-	123,383	123,383	95,836
	\$ 1,322,293	\$ 277,403	\$ 1,599,696	\$ 1,569,567
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ 139,024	\$ -	\$ 139,024	\$ 53,666
Government remittances payable	52,663	-	52,663	8,210
Deferred revenue (Note 6)	256,230	-	256,230	873,862
Deferred capital contributions (Note 7)	-	2,693	2,693	14,112
	447,917	2,693	450,610	949,850
Long-term				
Deferred capital contributions (Note 7)	-	17,966	17,966	20,659
	447,917	20,659	468,576	970,509
Fund balances				
Fund balances (per page 3)	874,376	256,744	1,131,120	599,058
	\$ 1,322,293	\$ 277,403	\$ 1,599,696	\$ 1,569,567

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Ark Aid Street Mission Inc.
Statement of Changes in Fund Balances
Year ended December 31, 2021

	<i>Operating Fund</i>	<i>Capital Fund</i>	<i>Total 2021</i>	<i>Total 2020</i>
Balance, beginning of year	\$ 385,854	\$ 213,204	\$ 599,058	\$ 439,415
Excess (deficiency) of revenues over expenditures for the year (per page 3)	552,980	(20,918)	532,062	159,643
Interfund transfers (Note 9)	(64,458)	64,458	-	-
Balance, ending of year	\$ 874,376	\$ 256,744	\$ 1,131,120	\$ 599,058

The accompanying notes are an integral part of these financial statements

Ark Aid Street Mission Inc.

Statement of Operations

Year ended December 31, 2021

	Operating Fund	Capital Fund	Total 2021	Total 2020
Revenue				
Donations	\$ 1,145,432	\$ -	\$ 1,145,432	\$ 584,157
Grants	2,110,218	-	2,110,218	57,608
Merchandise sales	1,800	-	1,800	7,613
Amortization of deferred capital				
Contributions (Note 7)	-	14,112	14,112	18,323
Rental	26,196	-	26,196	-
Interest income	3,862	1,882	5,744	4,596
	3,287,508	15,994	3,303,502	672,297
Expenses				
Salaries and benefits	2,136,187	-	2,136,187	310,652
Rent	210,207	-	210,207	-
Program	209,011	-	209,011	40,419
Maintenance and janitorial	64,609	-	64,609	39,467
Amortization	-	36,912	36,912	97,455
Professional fees	27,362	-	27,362	24,908
Fundraising	21,729	-	21,729	7,009
Insurance	20,809	-	20,809	10,554
Utilities	19,904	-	19,904	18,522
Travel and automotive	10,308	-	10,308	109
Non-Recoverable HST paid	8,584	-	8,584	3,290
Telephone	4,622	-	4,622	1,290
Administration	1,796	-	1,796	1,183
Donations	-	-	-	-
	2,735,128	36,912	2,772,040	554,858
Excess (deficiency) of revenues over expenditures for the year from operations	\$ 552,380	\$ (20,918)	\$ 531,462	\$ 117,439
Other income				
Government assistance (Note 8)	600	-	600	42,204
Excess (deficiency) of revenues over expenditures for the year	\$ 552,980	\$ (20,918)	\$ 532,062	\$ 159,643

The accompanying notes are an integral part of these financial statements

Ark Aid Street Mission Inc.**Statement of Cash Flows***Year ended December 31, 2021*

	2021	2020
Operating activities		
Excess of revenues over expenditures for the year	\$ 532,062	\$ 159,643
Adjustments for		
Amortization	36,912	97,455
Amortization of deferred capital contributions	(14,112)	(18,323)
	554,862	238,775
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	(88,857)	(30,715)
Increase in prepaid expenses	(92,304)	-
Increase (decrease) in accounts payable and accrued liabilities	85,358	47,712
Increase (decrease) in deferred revenue	(617,632)	867,362
Increase (decrease) in government remittances payable	44,453	4,266
	(114,120)	1,127,400
Investing activities		
Property, automotive and kitchen equipment additions	(64,459)	(18,329)
Deferred capital contributions received	-	15,000
Purchase of investments	(238,764)	(235,259)
Disposition of investments	235,260	184,001
	(67,963)	(54,587)
Increase (decrease) in cash resources	(182,083)	1,072,813
Cash resources, beginning of year	1,202,659	129,846
Cash resources, end of year	\$ 1,020,576	\$ 1,202,659

The accompanying notes are an integral part of these financial statements

1. Nature of operations

Ark Aid Street Mission Inc. (the "Organization") was founded in 1984 and is a Non-Profit Organization and Registered Charity under section 149(1)(f) of the Income Tax Act. The organization is exempt from income taxes.

The purpose of Ark Aid Street Mission Inc. is to aid neighbours in need.

Impact on operations of COVID-19 (coronavirus)

In early March 2021 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

The Organization's operations were impacted by COVID-19. The impact of COVID-19 has been partially offset by available Government programs for which the Organization was eligible. The Organization has received wage subsidies during 2021 where eligible. Further details of these programs are described in Note 8 *Government assistance*. Eligibility requirements under these programs have evolved since first announced and can be subject to changes in legislation or administrative positions, further, there is significant uncertainty of the period of time into the future that the Government will continue these programs.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause supply chain disruptions, staff shortages, and increased government regulations which may negatively impact the Organization's business and financial condition.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

Ark Aid Street Mission Inc. follows the restricted fund method of accounting for contributions.

(i) Operating Fund

The operating fund accounts for the day to day operating activities of Ark Aid Street Mission Inc.

(ii) Capital Fund

The capital fund of Ark Aid Street Mission Inc. accounts for the acquisition of property, automotive and kitchen equipment and the related capital funding and expenditures.

Cash and equivalents

The Organization follows a policy of including its credit union shares in its cash balance.

2. Significant accounting policies (continued from previous page)

Property, automotive and kitchen equipment

Property, automotive and kitchen equipment are stated at cost and are being amortized on a straight-line basis at the following rates:

Building and building improvements	Straight-line	10-20 years
Kitchen equipment	Straight-line	10 years
Other equipment	Straight-line	10 years
Vehicle	Straight-line	5 years
Walk-in freezer	Straight-line	10 years
Computer equipment	Straight-line	3 years

The Organization follows a policy of not amortizing any assets under construction until they are put in use.

Revenue recognition

Ark Aid Street Mission Inc. follows the restricted fund method of accounting for contributions. Unrestricted contributions are recognized when received. Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Government assistance is recognized when there is reasonable assurance that the entity has met all eligibility criteria and the assistance will be received.

Revenue from merchandise sales is recognized when the ownership of goods is transferred, and collection is reasonably assured.

Rental revenue is recognized on a monthly basis as earned.

Interest revenue is recognized as earned.

Contributed services

Volunteers contribute many hours each year to assist Ark Aid Street Mission Inc. in carrying out its services. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements. Ark Aid Street Mission Inc. also receives donations in-kind totaling \$15,206 (2020 - \$16,917) are included in these financial statements.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires directors and management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accounts specifically affected by estimates in these financial statements are the useful life of property, automotive, and kitchen equipment. Actual results may differ from their best estimates as additional information becomes available in the future and adjustments, if any, are recorded as that information becomes known.

2. Significant accounting policies (continued from previous page)

Financial instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable. Investments consist of guaranteed investment certificates and are measured at cost plus accrued interest which approximates fair market value.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. The write down reflects the difference between the carrying amount and the higher of:

- a. the present value of the cash flows expected to be generated by the asset or group of assets;
- b. the amount that could be realized by selling the assets or group of assets;
- c. the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the event occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

Ark Aid Street Mission Inc.
Notes to the Financial Statements
For the year ended December 31, 2021

3. Investments

Short-term investments are recorded at fair market value and consist of:

	<i>2021</i>	<i>2020</i>
GIC due January 10, 2022, interest payable per annum at 1.15%	\$ 52,993	\$ -
GIC due July 9, 2022, interest payable per annum at 1.05%	52,826	-
GIC due September 10, 2022, interest payable per annum at 1.05%	31,751	-
GIC due December 11, 2022, interest payable per annum at 0.80%	101,194	-
GIC due January 10, 2021, interest payable per annum at 1.15%	-	51,774
GIC due July 9, 2021, interest payable per annum at 1.80%	-	52,076
GIC due September 10, 2021, interest payable per annum at 1.40%	-	31,346
GIC due December 11, 2021, interest payable per annum at 1.15%	-	100,064
	\$ 238,764	\$ 235,260

	<i>2021</i>	<i>2020</i>
Operating Fund	\$ 84,744	\$ 83,121
Capital Fund	154,020	152,139
	\$ 238,764	\$ 235,260

The GIC's in the capital fund have been designated by the Board of Directors to fund a future roof renovation.

4. Property, automotive and kitchen equipment

	2021		2020	
	Cost	Accumulated amortization	Net	Net
Building and building improvements	\$ 446,324	\$ 390,086	\$ 56,238	\$ 41,504
Kitchen Equipment	31,633	17,485	14,148	17,311
Other Equipment	51,625	7,800	43,825	10,480
Vehicle	61,885	58,054	3,831	11,419
Walk-in Freezer	18,819	16,937	1,882	3,764
Computer equipment	7,654	4,195	3,459	3,288
Assets under construction	-	-	-	8,070
	\$ 617,940	\$ 494,557	\$ 123,383	\$ 95,836

5. Line of credit

A line of credit has been authorized by Libro Financial Group to a maximum of \$10,000 and bears interest at 4.95% per annum. The line of credit is secured by the property of 696 Dundas Street, London, ON (net book value of \$56,238). The line of credit was not used during 2021 or 2020.

Ark Aid Street Mission Inc.
Notes to the Financial Statements
For the year ended December 31, 2021

6. Deferred revenue

Ark Aid Street Mission Inc. receives certain contributions which are externally restricted limiting their use. These amounts are recorded as deferred revenue when received and subsequently recorded as revenue once the underlying expenses have been incurred.

	2021	2020
Opening Balance	\$ 873,862	\$ 6,500
Restricted Funding Received	1,836,107	934,047
Restricted Funding Recognized	(2,453,739)	(66,685)
Ending Balance	\$ 256,230	\$ 873,862

7. Deferred capital contributions

Deferred contributions related to capital assets represents restricted contributions received for the purchase of a refrigerated truck, kitchen renovations and shower and laundry areas. The contributions are amortized into revenue on the same basis as the related amortization expense. The change in the deferred capital contributions balance is as follows:

	2021	2020
Opening balance	\$ 34,771	\$ 38,094
Add: externally restricted contributions received in the year	-	15,000
Less: amounts amortized to revenue	(14,112)	(18,323)
	20,659	34,771
Less: current portion of deferred capital contributions	(2,693)	(14,112)
Long-term portion of deferred capital contributions	\$ 17,966	\$ 20,659

8. Government assistance

During the year, Ark Aid Street Mission Inc. received government assistance related to COVID-19.

The Canada Recovery Sickness Benefit was available to certain eligible employers to assist with wages for staff who self-isolated when exposed to COVID-19, or with a condition that puts them at greater risk.

The Canada Emergency Wage Subsidy is available to certain eligible employers who have experienced a decline eligible revenue compared to a previous period (baseline revenue). Employers may be eligible to receive a wage subsidy if they meet certain criteria as determined by the Federal Government of Canada.

The 10% Temporary Wage Subsidy program provides relief for eligible employers through a 10% reduction in payroll deductions paid between March 18, 2021 to June 19, 2021, up to \$1,375 for each eligible employee.

During the year, the Organization received \$600 in Canada Recovery Sickness Benefit (2020 - \$36,163 in Canada Emergency Wage Subsidy and \$6,041 of 10% Temporary Wage Subsidy).

9. Interfund transfers

During the year, Ark Aid Street Mission Inc. made transfers from the Operating Fund to the Capital Fund consisting of \$64,548 to finance additions to property, automotive and kitchen equipment. These transfers have been approved by the Board of Directors.

10. Financial instruments and risks

Unless otherwise noted it is management's opinion that Ark Aid Street Mission Inc. is not exposed to significant risks arising from these financial instruments. There have been no changes in Ark Aid Street Mission Inc.'s risk assessment from the prior year.

Liquidity risk

Liquidity risk is the risk that Ark Aid Street Mission Inc. will not be able to meet its obligations as they become due. Ark Aid Street Mission Inc. manages this risk by establishing budgets and funding plans. In the opinion of management, the liquidity risk exposure to Ark Aid Street Mission Inc. is low and is not material.

Credit risk

The financial instruments that potentially subject Ark Aid Street Mission Inc. to a significant concentration of credit risk consist primarily of cash. Ark Aid Street Mission Inc. mitigates its exposure to credit loss by placing its cash with major financial institutions.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. In the opinion of management, the Organization is not exposed to interest rate risk as the interest rates on its guaranteed investment certificates are fixed.

11. Commitments

Ark Aid Street Mission Inc. has entered several short term lease agreements ending in 2022. The total payments committed for these leases in 2022 is \$176,090.

12. Economic dependence

Ark Aid Street Mission Inc. received approximately 59% (2020 – 2%) of its revenues from grant funding provided by the City of London in 2021 and as such is economically dependent on the City of London. Subsequent to the year-end the City of London finished providing the COVID related funding for the WISH program. The Organization is exploring alternate funding sources and plans to scale the WISH program according to the funding it can secure.

13. Subsequent events

Subsequent to the year end Ark Aid Street Mission Inc. sustained a fire that damaged a portion of its building at the Dundas Street location. The matter is being resolved by the Organization's insurance and the total cost of damages from the fire is not determinable at this time.

Subsequent to the year end Ark Aid Street Mission Inc. entered an agreement to receive a loan of \$725,000 from the City of London for renovations to its Dundas Street office for the creation of affordable dwelling units and amenities. The loan is interest free and forgivable on the condition that the Dundas Street location continues to be used for the affordable dwelling in five years.