

Aid Street Mission Inc.
Financial Statements
Year ended December 31, 2022

	<i>Page</i>
Independent Auditor's Report	
Financial Statements	
Statement of Financial Position.....	1
Statement of Changes in Fund Balance.....	2
Statement of Operations	3
Statement of Cash Flows.....	4
Notes to the Financial Statements	5 - 10

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, 2022, 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, 2022, 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, 2022 and December 31, 2021, and current assets and fund balances as at December 31, 2022 and December 31, 2021.

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 27, 2023

Licensed Public Accountants

Ark Aid Street Mission Inc.
(Incorporated under the laws of Ontario)
Statement of Financial Position
As at December 31, 2022

	<i>Operating Fund</i>	<i>Capital Fund</i>	<i>Total 2022</i>	<i>Total 2021</i>
Assets				
Current				
Cash	\$ 731,687	\$ -	\$ 731,687	\$ 1,020,576
Accounts receivable (Note 7)	26,389	362,500	388,889	124,669
Prepaid expenses	6,736	-	6,736	92,304
Short-term investments (Note 3)	85,967	156,064	242,031	238,764
	850,779	518,564	1,369,343	1,476,313
Long-term				
Property, automotive and kitchen equipment (Note 4)	-	369,616	369,616	123,383
	\$ 850,779	\$ 888,180	\$ 1,738,959	\$ 1,599,696
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ 106,872	\$ -	\$ 106,872	\$ 138,265
Government remittances payable	-	-	-	53,422
Deferred revenue (Note 6)	148,101	-	148,101	256,230
Deferred capital contributions (Note 7)	-	5,345	5,345	2,693
	254,973	5,345	260,318	450,610
Long-term				
Deferred capital contributions (Note 7)	-	734,969	734,969	17,966
	254,973	740,314	995,287	468,576
Fund balances				
Fund balances	595,806	147,866	743,672	1,131,120
	\$ 850,779	\$ 888,180	\$ 1,738,959	\$ 1,599,696

Approved on behalf of the Board



 Director

Ed Wilson, Chair

 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, 2022

	<i>Operating Fund</i>		<i>Capital Fund</i>		<i>Total 2022</i>		<i>Total 2021</i>
Balance, beginning of year	\$	874,376	\$	256,744	\$	1,131,120	\$ 599,058
Excess (deficiency) of revenues over expenditures for the year		(338,090)		(49,358)		(387,448)	532,062
Interfund transfers (Note 8)		59,520		(59,520)		-	-
Balance, ending of year	\$	595,806	\$	147,866	\$	743,672	\$ 1,131,120

The accompanying notes are an integral part of these financial statements

Ark Aid Street Mission Inc.

Statement of Operations

Year ended December 31, 2022

	Operating Fund	Capital Fund	Total 2022	Total 2021
Revenue				
Donations	\$ 1,245,090	\$ -	\$ 1,245,090	\$ 1,145,432
Grants	1,159,243	-	1,159,243	2,110,218
Merchandise sales	625	-	625	1,800
Amortization of deferred capital				
Contributions (Note 7)	-	5,345	5,345	14,112
Rental	62,689	-	62,689	26,196
Interest income	8,521	2,045	10,566	5,744
	2,476,168	7,390	2,483,558	3,303,502
Expenses				
Salaries and benefits	2,205,643	-	2,205,643	2,136,187
Rent	232,650	-	232,650	210,207
Program	192,449	-	192,449	217,595
Maintenance and janitorial	105,011	-	105,011	64,609
Amortization	-	55,841	55,841	36,912
Professional fees	40,385	-	40,385	27,362
Fundraising	8,307	-	8,307	21,729
Insurance	16,611	-	16,611	20,809
Utilities	26,306	-	26,306	19,904
Travel and automotive	8,902	-	8,902	10,308
Telephone	7,304	-	7,304	4,622
Administration	3,783	-	3,783	1,796
	2,847,351	55,841	2,903,192	2,772,040
Deficiency of revenues over expenditures for the year from operations	\$ (371,183)	\$ (48,451)	\$ (419,634)	\$ 531,462
Other income (expense)				
Loss on disposal of assets	-	(907)	(907)	-
Government assistance (Note 9)	33,093	-	33,093	600
	33,093	(907)	32,186	600
Deficiency of revenues over expenditures for the year	\$ (338,090)	\$ (49,358)	\$ (387,448)	\$ 532,062

The accompanying notes are an integral part of these financial statements

Ark Aid Street Mission Inc.**Statement of Cash Flows***Year ended December 31, 2022*

	2022	2021
Operating activities		
Excess of revenues over expenditures for the year	\$ (387,448)	\$ 532,062
Adjustments for		
Amortization	55,841	36,912
Amortization of deferred capital contributions	(5,345)	(14,112)
Loss on disposal of assets	907	-
	(336,045)	554,862
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	98,280	(88,857)
Decrease (increase) in prepaid expenses	85,568	(92,304)
Increase (decrease) in accounts payable and accrued liabilities	(31,394)	84,599
Increase (decrease) in deferred revenue	254,371	(617,632)
Increase (decrease) in government remittances payable	(53,422)	45,212
	17,358	(114,120)
Investing activities		
Property, automotive and kitchen equipment additions	(302,980)	(64,459)
Purchase of investments	(242,031)	(238,764)
Disposition of investments	238,764	235,260
	(306,247)	(67,963)
Increase (decrease) in cash resources	(288,889)	(182,083)
Cash resources, beginning of year	1,020,576	1,202,659
Cash resources, end of year	\$ 731,687	\$ 1,020,576

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.

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.

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.

2. Significant accounting policies (continued from previous page)

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 \$39,988 (2021 - \$15,206) 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.

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.

Related party financial instruments are measured at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received.

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, 2022

3. Investments

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

	2022	2021
GIC due January 10, 2023, interest payable per annum at 1.15%	\$ 53,602	\$ -
GIC due July 9, 2023, interest payable per annum at 3.00%	53,872	-
GIC due September 10, 2023, interest payable per annum at 3.95%	32,265	-
GIC due December 11, 2023, interest payable per annum at 4.25%	102,192	-
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
	\$ 242,031	\$ 238,764

	2022	2021
Operating Fund	\$ 85,967	\$ 84,744
Capital Fund	156,064	154,020
	\$ 242,031	\$ 238,764

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

	2022	2021		
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net</i>	<i>Net</i>
Building and building improvements	\$ 719,351	\$ 428,818	\$ 290,533	\$ 56,238
Kitchen Equipment	31,633	20,648	10,985	14,148
Other Equipment	77,939	15,594	62,345	43,825
Vehicle	61,885	59,012	2,873	3,831
Walk-in Freezer	18,819	18,819	-	1,882
Computer equipment	9,932	7,052	2,880	3,459
	\$ 919,559	\$ 549,943	\$ 369,616	\$ 123,383

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 \$290,533). The line of credit was not used during 2022 or 2021.

Ark Aid Street Mission Inc.
Notes to the Financial Statements
For the year ended December 31, 2022

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.

	2022	2021
Opening Balance	\$ 256,230	\$ 873,862
Restricted Funding Received	1,166,778	1,836,107
Restricted Funding Recognized	(1,274,907)	(2,453,739)
Ending Balance	\$ 148,101	\$ 256,230

7. Deferred capital contributions

Deferred contributions related to capital assets represents restricted contributions received for the purchase of a refrigerated truck, building renovations, 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:

	2022	2021
Opening balance	\$ 20,659	\$ 34,771
Add: new restricted contributions	725,000	-
Less: amounts amortized to revenue	(5,345)	(14,112)
	740,314	20,659
Less: current portion of deferred capital contributions	(5,345)	(2,693)
Long-term portion of deferred capital contributions	\$ 734,969	\$ 17,966

During the year, the Organization was eligible to receive government assistance in the amount of \$725,000 of funding for capital improvements in the form of an interest-free forgivable loan. As at year-end, \$362,500 had been advanced, with the remaining \$362,500 of the funds to be advanced as construction progresses and is included in accounts receivable.

In order to secure the funding, the Organization was required to provide a secured promissory note to the lender. Under the terms of the arrangement, the full amount of the loan will be forgiven on the last day of the month ending ten years after the completion of the project, provided that the Organization remains in compliance with the terms of the agreement which stipulate that the Organization creates 12 new apartment style affordable dwelling units, along with related amenities and continues to use them to provide affordable housing for a period of at least 10 years.

8. Interfund transfers

During the year, Ark Aid Street Mission Inc. made transfers from the Capital Fund to the Operating Fund consisting of \$367,500 of funding received for capital additions less \$302,980 of additions to property, automotive and kitchen equipment. These transfers have been approved by the Board of Directors.

9. Government assistance

During the year, Ark Aid Street Mission Inc. received government assistance.

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 Ontario COVID-19 Worker Income Protection Benefit is available to certain eligible employers who have eligible staff who were required to take time off due to COVID-19. Employers may be eligible to receive a subsidy if they meet certain criteria as determined by the Province of Ontario.

During the year, the Organization received \$nil in Canada Recovery Sickness Benefit and \$5,341 in Ontario COVID-19 Worker Income Protection Benefit Reimbursements (2021 – \$600 in Canada Recovery Sickness Benefit)

The Organization also received funding through the Canada Summer Jobs program in the amount of \$27,752 (2021 - \$nil).

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 2023 is \$38,550.

12. Economic dependence

Ark Aid Street Mission Inc. received approximately 40% (2021 – 59%) of its revenues from grant funding provided by the City of London in 2022 and as such is economically dependent on the City of London.

13. Comparative figures

The prior period figures have been reclassified, where applicable, to conform to the presentation used in the current year. These changes do not affect prior year earnings.

Ark Aid Street Mission Inc.
Notes to the Financial Statements

For the year ended December 31, 2022

14. Significant event and contingency

During the year the Organization had a fire at their main location and a portion of the building required remediation. The Organization has spent \$21,211 on this remediation in fiscal 2022 and is waiting for confirmation from the insurance company of the amounts that will be covered, less their deductible of \$3,500. The full insurance appraisal related to the fire including remediation, loss of income, contents is still underway and the contingent asset is not determinable at the audit report date. The insurance company has engaged Belfor Property Restoration to complete remediation on the site, they have covered these costs directly of \$112,623 up to the audit report date.