

Ark Aid Street Mission Inc.
Financial Statements
Year ended December 31, 2023

Ark Aid Street Mission Inc.**Table of Contents***For the year ended December 31, 2023*

	<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 - 9

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, 2023, 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, 2023, 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, 2023 and December 31, 2022, and current assets and fund balances as at December 31, 2023 and December 31, 2022.

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.

The logo for MNP LLP, featuring the letters 'MNP' in a bold, black, sans-serif font, with 'LLP' in a smaller, black, sans-serif font to the right of a diagonal line.

London, Ontario

Chartered Professional Accountants

June 26, 2024

Licensed Public Accountants

Ark Aid Street Mission Inc.
(Incorporated under the laws of Ontario)
Statement of Financial Position
As at December 31, 2023

	<i>Operating Fund</i>	<i>Capital Fund</i>	<i>Total 2023</i>	<i>Total 2022</i>
Assets				
Current				
Cash				
Cash	\$ 3,227,097	\$ -	\$ 3,227,097	\$ 731,687
Accounts receivable (Note 3)	1,282,631	362,500	1,645,131	388,889
Prepaid expenses	21,765	-	21,765	6,736
Short-term investments (Note 4)	89,711	162,523	252,234	242,031
	4,621,204	525,023	5,146,227	1,369,343
Long-term				
Property, automotive and kitchen equipment (Note 5)				
equipment (Note 5)	-	330,015	330,015	369,616
	\$ 4,621,204	\$ 855,038	\$ 5,476,242	\$ 1,738,959
Liabilities				
Current				
Accounts payable and accrued liabilities				
Accounts payable and accrued liabilities	\$ 164,294	\$ -	\$ 164,294	\$ 106,872
Deferred revenue (Note 7)	3,255,659	-	3,255,659	148,101
Deferred capital contributions (Note 8)	-	5,345	5,345	5,345
	3,419,953	5,345	3,425,298	260,318
Long-term				
Deferred capital contributions (Note 8)				
Deferred capital contributions (Note 8)	-	729,624	729,624	734,969
	3,419,953	734,969	4,154,922	995,287
Commitments (Note 12)				
Fund balances				
Fund balances				
Fund balances	1,201,251	120,069	1,321,320	743,672
	\$ 4,621,204	\$ 855,038	\$ 5,476,242	\$ 1,738,959

Approved on behalf of the Board

Director

Director

Ark Aid Street Mission Inc.
Statement of Changes in Fund Balances
Year ended December 31, 2023

	<i>Operating Fund</i>	<i>Capital Fund</i>	<i>Total 2023</i>	<i>Total 2022</i>
Balance, beginning of year	\$ 595,806	\$ 147,866	\$ 743,672	\$ 1,131,120
Excess (deficiency) of revenues over expenditures for the year	621,445	(43,797)	577,648	(387,448)
Interfund transfers (Note 9)	(16,000)	16,000	-	-
Balance, ending of year	\$ 1,201,251	\$ 120,069	\$ 1,321,320	\$ 743,672

The accompanying notes are an integral part of these financial statements

Ark Aid Street Mission Inc.
Statement of Operations
Year ended December 31, 2023

	<i>Operating Fund</i>	<i>Capital Fund</i>	<i>Total 2023</i>	<i>Total 2022</i>
Revenue				
Grants	\$ 2,090,168	\$ -	\$ 2,090,168	\$ 1,159,243
Donations (Note 14)	847,126	-	847,126	1,245,090
Interest income	18,016	6,460	24,476	10,566
Rental	11,330	-	11,330	62,689
Amortization of deferred capital				
Contributions (Note 8)	-	5,345	5,345	5,345
Merchandise sales	-	-	-	625
	2,966,640	11,805	2,978,445	2,483,558
Expenses				
Salaries and benefits	1,839,595	-	1,839,595	2,205,643
Program (Note 14)	267,765	-	267,765	192,449
Maintenance and janitorial (Note 14)	106,834	-	106,834	105,011
Rent	76,640	-	76,640	232,650
Amortization	-	52,728	52,728	55,841
Professional fees (Note 14)	35,602	-	35,602	40,385
Utilities	30,538	-	30,538	26,306
Insurance	17,058	-	17,058	16,611
Fundraising (Note 14)	15,554	-	15,554	8,307
Travel and automotive	9,799	-	9,799	8,902
Telephone	5,699	-	5,699	7,304
Administration	981	-	981	3,783
	2,406,065	52,728	2,458,793	2,903,192
Excess (deficiency) of revenues over expenditures for the year from operations	\$ 560,575	\$ (40,923)	\$ 519,652	\$ (419,634)
Other income (expense)				
Insurance proceeds (Note 15)	45,357	-	45,357	-
Government assistance (Note 10)	15,513	-	15,513	33,093
Loss on disposal of assets	-	(2,874)	(2,874)	(907)
	60,870	(2,874)	57,996	32,186
Excess (deficiency) of revenues over expenditures for the year	\$ 621,445	\$ (43,797)	\$ 577,648	\$ (387,448)

The accompanying notes are an integral part of these financial statements

Ark Aid Street Mission Inc.
Statement of Cash Flows
Year ended December 31, 2023

	2023	2022
Operating activities		
Excess (deficiency) of revenues over expenditures for the year	\$ 577,648	\$ (387,448)
Adjustments for		
Amortization	52,728	55,841
Amortization of deferred capital contributions	(5,345)	(5,345)
Loss on disposal of assets	2,874	907
	627,905	(336,045)
Change in non-cash working capital items		
(Increase) decrease in accounts receivable	(1,256,242)	98,280
(Increase) decrease in prepaid expenses	(15,029)	85,568
Increase (decrease) in accounts payable and accrued liabilities	57,421	(31,394)
Increase in deferred revenue	3,107,558	254,371
Decrease in government remittances payable	-	(53,422)
	2,521,613	17,358
Investing activities		
Property, automotive and kitchen equipment additions	(126,917)	(302,980)
Insurance proceeds received on capital assets	110,917	-
Purchase of investments	(252,234)	(242,031)
Disposition of investments	242,031	238,764
	(26,203)	(306,247)
Increase (decrease) in cash resources	2,495,410	(288,889)
Cash resources, beginning of year	731,687	1,020,576
Cash resources, end of year	\$ 3,227,097	\$ 731,687

The accompanying notes are an integral part of these financial statements

Ark Aid Street Mission Inc.
Notes to the Financial Statements
For the year ended December 31, 2023

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.

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, 2023

3. Accounts receivable

Accounts receivable at the end of the year includes \$100,000 (2022 - \$nil) of donations receivable, \$1,132,993 (2022 - \$nil) of deferred funding to be received, and \$362,500 (2022 - \$362,500) of an interest-free forgivable loan receivable. Refer to note 8 for more information on the interest-free forgivable loan receivable.

4. Investments

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

	2023	2022
GIC due January 10, 2024, interest payable per annum at 4.50%	\$ 55,964	\$ -
GIC due July 9, 2024, interest payable per annum at 4.75%	55,938	-
GIC due September 10, 2024, interest payable per annum at 5.00%	33,747	-
GIC due December 11, 2024, interest payable per annum at 5.15%	106,585	-
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%	-	32,365
GIC due December 11, 2023, interest payable per annum at 4.25%	-	102,192
	\$ 252,234	\$ 242,031

	2023	2022
Operating Fund	\$ 89,711	\$ 85,967
Capital Fund	162,523	156,064
	\$ 252,234	\$ 242,031

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

5. Property, automotive and kitchen equipment

	2023	2022		
	Cost	Accumulated amortization	Net	Net
Building and building improvements	\$ 702,438	\$ 464,531	\$ 237,907	\$ 290,533
Kitchen equipment	53,547	26,003	27,544	10,985
Other equipment	77,939	23,388	54,551	62,345
Vehicle	68,096	59,296	8,800	2,873
Walk-in freezer	18,819	18,819	-	-
Computer equipment	9,932	8,719	1,213	2,880
	\$ 930,771	\$ 600,756	\$ 330,015	\$ 369,616

During the year, the Organization received \$110,917 of insurance proceeds for their building damaged by a fire. This has been recorded directly as a reduction in the cost of the building.

Ark Aid Street Mission Inc.
Notes to the Financial Statements
For the year ended December 31, 2023

6. Line of credit

A line of credit has been authorized by Libro Financial Group to a maximum of \$10,000 and bears interest at 9.70% per annum. The line of credit is secured by the property of 696 Dundas Street, London, ON (net book value of \$247,111). The line of credit was not used during 2023 or 2022.

7. 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.

	2023	2022
Opening Balance	\$ 148,101	\$ 256,230
Restricted Funding Received	3,561,700	1,166,778
Accrued Amounts Receivable	1,132,993	-
Restricted Funding Recognized	(1,587,135)	(1,274,907)
Ending Balance	\$ 3,255,659	\$ 148,101

8. 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:

	2023	2022
Opening balance	\$ 740,314	\$ 20,659
Add: new restricted contributions	-	725,000
Less: amounts amortized to revenue	(5,345)	(5,345)
	734,969	740,314
Less: current portion of deferred capital contributions	(5,345)	(5,345)
Long-term portion of deferred capital contributions	\$ 729,624	\$ 734,969

In the previous 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.

9. Interfund transfers

During the year, Ark Aid Street Mission Inc. made transfers from the Capital Fund to the Operating Fund consisting of \$110,917 (2022 - \$367,500) of insurance proceeds (2022 – capital funding) received for capital additions less \$126,917 (2022 - \$302,980) of additions to property, automotive and kitchen equipment. These transfers have been approved by the Board of Directors.

Ark Aid Street Mission Inc.
Notes to the Financial Statements
For the year ended December 31, 2023

10. Government assistance

During the year, Ark Aid Street Mission Inc. received government assistance. The Organization received funding through the Canada Summer Jobs program in the amount of \$15,513 (2022 - \$27,752).

11. 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.

12. Commitments

Ark Aid Street Mission Inc. has entered into a short-term lease agreement ending in 2024. The total payments committed for this lease in 2024 is \$25,000.

13. Economic dependence

Ark Aid Street Mission Inc. received approximately 66% (2022 – 40%) of its revenues from grant funding provided by the City of London in 2023 and as such is economically dependent on the City of London.

14. Non-monetary transaction

During the year, the Organization received \$45,016 (2022 – \$39,988) of donations in-kind. This has been recognized in revenue as donations revenue. Of this amount, \$34,008 has been recorded to program expenses, \$7,620 to professional fees expenses, \$500 to fundraising expenses and \$2,888 to maintenance and janitorial expenses.

15. Insurance proceeds

During the year, the Organization received \$156,274 of insurance proceeds in relation to a fire that damaged one of their buildings. Of this amount, \$110,917 was netted against capital purchases and \$43,357 was received to cover select operating expenses during the repairs.