

**The United Church Downtown
Mission of Windsor Inc.**

Financial Statements

For the year ended December 31, 2018

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Independent Auditor's Report

To the Board of Directors of The United Church Downtown Mission of Windsor Inc.

Qualified Opinion

We have audited the financial statements of The United Church Downtown Mission of Windsor Inc. ("the Mission"), which comprise the statement of financial position as at December 31, 2018, the statements of operations, changes in fund balances and 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 matters described in the Basis of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Mission as at December 31, 2018, and its results of 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, the Mission derives revenue from donations and fundraising events the completeness of which is not susceptible to satisfactory audit verification. Accordingly, the verification of these revenues was limited to the amounts recorded in the records of the Mission. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017 and net assets as at January 1 and December 31, for both the 2018 and 2017 years. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

The Mission accepts gift in kind donations of food, the accuracy of which cannot be verified. This revenue is offset entirely by a corresponding unverifiable gift in kind donation expense. While these balances cannot be verified, there is no effect on the excess of revenue over expenditures, assets or fund balances as a result of these transactions. Therefore, we were not able to determine whether any adjustments might be necessary to gifts in kind revenue and expenses for the years ended December 31, 2018 and 2017. The predecessor's auditor's opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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 Mission 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.



- 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 Mission'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 Mission 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Ontario
March 27, 2019



Other Matters

The financial statements of the Mission for the year ended December 31, 2017 were audited by another auditor who expressed a modified conclusion on those financial statements on April 8, 2018 for the reasons described in the Basis for Qualified Opinion section.

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 Mission'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 Mission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Mission'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:

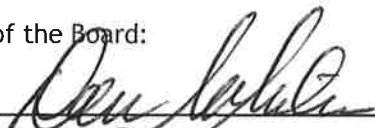
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Mission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.


The United Church Downtown Mission of Windsor Inc.

Statement of Financial Position

December 31,	2018	2017
Assets		
Current		
Cash and bank	\$1,210,794	\$ 1,503,199
Investments (Note 2)	130,954	417,214
Accounts receivable	147,720	119,838
Inventory	-	4,213
Prepaid expenses and deposits	230,036	53,897
Mortgage receivable	-	600,000
	1,719,504	2,698,361
Capital assets (Note 3)	3,960,667	3,463,704
	\$5,680,171	\$ 6,162,065
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 351,057	\$ 229,029
Deferred revenue (Note 5)	8,049	15,949
Current portion of long-term debt (Note 4)	113,150	7,735
Current portion of obligations under capital leases (Note 6)	53,074	-
	525,330	252,713
Long-term debt (Note 4)	219,212	227,265
Obligations under capital leases (Note 6)	228,161	-
	972,703	479,978
Commitments (Note 9)		
Net Assets		
Capital Fund	4,258,817	4,258,817
General Fund	448,651	1,423,270
	4,707,468	5,682,087
	\$5,680,171	\$ 6,162,065

On behalf of the Board:


 _____ Director


 _____ Director

The United Church Downtown Mission of Windsor Inc.

Statement of Operations

For the year ended December 31,

2018

2017

	General Fund	Capital Fund	Total	Total
Revenue				
Donations and fundraisers	\$2,554,123	\$ -	\$2,554,123	\$3,525,499
Donations - gifts in kind	2,525,824	-	2,525,824	6,301,040
Grants and program support	391,214	-	391,214	130,701
Donations - volunteered time	264,911	-	264,911	253,812
Other revenue	172,179	-	172,179	138,219
Enterprise and social programs	163,009	-	163,009	126,143
Rental revenue	150,064	-	150,064	150,064
Restricted donations	-	15,949	15,949	108,881
	6,221,324	15,949	6,237,273	10,734,359
Expenses				
Gifts in kind	2,525,824	-	2,525,824	5,518,679
Salaries and benefits	2,497,166	-	2,497,166	1,915,336
Operating costs	565,084	-	565,084	456,777
Amortization	-	373,956	373,956	293,703
Fundraising and events	353,289	-	353,289	291,751
Volunteered time	264,911	-	264,911	253,812
Food purchases	191,608	-	191,608	174,353
Enterprise and social programs	162,775	-	162,775	46,492
Office	115,313	-	115,313	98,460
Transportation	62,958	-	62,958	59,081
Professional fees	28,397	-	28,397	85,232
Insurance	25,168	-	25,168	31,260
Client assistance	23,300	-	23,300	17,549
Interest on long-term debt	-	12,180	12,180	-
Bank charges and interest	5,337	-	5,337	5,756
Interest on capital leases	-	4,626	4,626	-
	6,821,130	390,762	7,211,892	9,248,241
Excess of (expenses over revenue) revenue over expenses before fund transfer	(599,806)	(374,813)	(974,619)	1,486,118
Fund transfer	(374,813)	374,813	-	-
Excess of (expenses over revenue) revenue over expenses	\$(974,619)	\$ -	\$ (974,619)	\$1,486,118

The United Church Downtown Mission of Windsor Inc.

Statement of Changes in Net Assets

For the year ended December 31, 2018 2017

	General Fund	Capital Fund	Total	Total
Balance, beginning of year	\$ 1,423,270	\$ 4,258,817	\$5,682,087	\$4,195,969
Excess of (expenses over revenues) revenues over expenses	(599,806)	(374,813)	(974,619)	1,486,118
Interfund transfers	(374,813)	374,813	-	-
Balance, end of year	\$ 448,651	\$ 4,258,817	\$4,707,468	\$5,682,087

Net assets in the capital fund consist of:

	2018	2017
Capital assets	\$3,960,667	\$ 3,463,704
Deposits on new property	217,410	-
Mortgage receivable	-	600,000
Due from General Fund	694,337	430,113
Long-term debt	(332,362)	(235,000)
Capital leases	(281,235)	-
	\$4,258,817	\$ 4,258,817

The United Church Downtown Mission of Windsor Inc.

Statement of Cash Flows

For the year ended December 31,	2018	2017
Cash from operations		
Excess (expenses over revenue) revenue over expenses	\$ (974,619)	\$ 1,486,118
Items not requiring an outlay of cash		
Donations - gifts in kind	(2,525,824)	(6,301,040)
Expenses - gifts in kind	2,525,824	5,518,679
Amortization - capital assets	373,956	293,703
Gain on disposal of investment	-	(10,054)
	(600,663)	987,406
Changes in non-cash working capital		
Accounts receivable	(27,882)	8,306
Inventory	4,213	(4,213)
Prepaid expenses and deposits	(176,139)	(49,252)
Accounts payable and accrued liabilities	122,027	(64,155)
Deferred revenue	(7,900)	(32,745)
	(85,681)	(142,059)
	(686,344)	845,347
Cash from financing activities		
Net (advance) repayment of long-term debt	97,362	235,000
Net advance of capital leases	281,235	-
Purchase of capital assets	(870,918)	(992,104)
	(492,321)	(757,104)
Changes in investment activities		
Repayment of mortgage receivable	600,000	-
Net investment activity	286,260	380,471
	886,260	380,471
(Decrease) increase, in cash during the year	(292,405)	468,714
Cash and cash equivalents, beginning of year	1,503,199	1,034,485
Cash and cash equivalents, end of year	\$ 1,210,794	\$ 1,503,199

The United Church Downtown Mission of Windsor Inc.

Notes to Financial Statements

December 31, 2018

1. Significant accounting policies

Nature of organization The United Church Downtown Mission of Windsor Inc. is a registered charity, incorporated in Ontario without share capital. The primary purpose of the Mission is to enhance the lives of Windsor's needy by providing free meals, clothing, shelter and other necessary services.

Basis of accounting These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund accounting The Mission follows the restricted fund method of accounting for contributions.

The General Fund is used for current operations. It reports unrestricted resources, donations and grants for operations, including the Mission's program activities and administration.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Mission's capital assets.

Capital assets Purchased capital assets are recorded at cost. Amortization expense is reported in the Capital Asset Fund provided as follows:

Building	25 years straight-line basis
Equipment	20 years straight-line basis
Vehicles	10 years straight-line basis
Parking lot	10 years straight-line basis

One half the rate is used in the year of acquisition.

Financial instruments Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, all 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.

Investments Investments are recorded at fair market value at initial recognition.

In subsequent years, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment.

The United Church Downtown Mission of Windsor Inc.

Notes to Financial Statements

December 31, 2018

1. Significant accounting policies (continued)

Inventory	Inventory consists of finished goods produced in the enterprise program and is valued at the lower of cost and net realizable value using a first in first out method of inventory valuation.
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 revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the useful lives of capital assets, and fair values of donations in kind. Actual results could differ from management's best estimates as additional information becomes available in the future.
Revenue recognition	<p>Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Restricted contributions for capital purposes are recognized as revenue in the Capital Fund.</p> <p>Unrestricted contributions are recognized as revenue as received in the General Fund.</p> <p>Investment income is recognized as earned in the General Fund.</p> <p>Rental income, operating grants, bequests and other revenues are recorded in the General Fund when earned.</p>
Contributed services	Volunteers contribute a significant time for the numerous services within the organization. The Mission records this time at minimum wage active rate at December 31 of the applicable year for both donations of volunteer time received and volunteered time expensed of 2018 - \$264,911; (2017 - \$253,812). Gifts in kind are recorded at the estimated fair market value.
Interfund transfers	A transfer from the general fund to the capital fund is made each year equal to the amount of the operating fund's excess of revenue over expenditures for the current year and additional amounts as approved by the Board of Directors to meet future requirements of the capital fund. In a year of deficit, the general fund transfers excess funds to the capital fund to cover any losses.

The United Church Downtown Mission of Windsor Inc.

Notes to Financial Statements

December 31, 2018

2. Investments

	2018	2017
Equity portfolio investments	\$ 60,195	\$ 4,292
TD GIC - 1.55%; maturing February 2019	55,000	-
Scotiabank GIC - 2.25%; maturing September 2020	15,759	15,759
Scotiabank GIC, 2.25%, matured May 2018	-	294,125
WFCU GIC - 1.4%; matured November 2018	-	103,038
	\$ 130,954	\$ 417,214

3. Capital assets

	Cost	Accumulated Amortization	2018	2017
Building	\$3,688,799	\$1,049,618	\$2,639,181	\$ 2,408,541
Land	642,584	-	642,584	601,449
Equipment	1,082,836	434,528	648,308	417,869
Vehicles	27,230	5,446	21,784	24,507
Parking lot	25,283	16,473	8,810	11,338
	\$5,466,732	\$1,506,065	\$3,960,667	\$ 3,463,704

Included in equipment is \$294,852 (2017 - nil) of capital leases and accumulated amortization of \$58,971 (2017 - nil). See note 7 for details on capital lease obligations.

The United Church Downtown Mission of Windsor Inc.

Notes to Financial Statements

December 31, 2018

4. Mortgage payable

	2018	2017
Mortgage payable, Windsor Family Credit Union, payable in monthly payments of \$1,438 including interest at 4.15%. Maturing December 2022. The mortgage is secured by a charge on the land and building.	\$ 227,184	\$ 235,000
Mortgage payable, Motor City Community Credit Union, payable in monthly payments of \$821 including interest at 5.50%. Maturing December 2019. The mortgage is secured by a charge on the land and building.	105,178	-
	332,362	235,000
Less: current portion	(113,150)	(7,735)
	\$ 219,212	\$ 227,265

Expected principal payments to be made during the next four years are as follows:

2019	\$ 113,150
2020	8,309
2021	8,660
2022	202,243
	\$ 332,362

The mortgages are secured by a general security agreement, a first collateral mortgage charge over property located at 842 Dufferin Avenue and 1241- 1247 Wyandotte Street East and a general assignment of rents, leases, and insurance.

The United Church Downtown Mission of Windsor Inc.

Notes to Financial Statements

December 31, 2018

5. Deferred revenue

Deferred contributions represent externally restricted contributions of unspent portions of grants at year end.

	2018	2017
Catherine Donelly Foundation	\$ 8,049	\$ -
Ontario Trillium grant	-	15,949
	\$ 8,049	\$ 15,949

6. Obligations under capital leases

	2018	2017
Obligation under a capital lease for dental equipment, payable in monthly payments of \$5,318 including interest at 6.02%, maturing on September 2023, secured by the equipment	\$ 263,121	\$ -
Obligation under a capital lease for a fork lift, payable in monthly payments of \$381 including interest at 5.75%, maturing on June 2023; secured by the equipment	18,114	-
Current portion	281,235 (53,074)	- -
Long-term portion of obligations	\$ 228,161	\$ -

Future minimum lease payments under the capital leases for subsequent years are as follows:

2019	\$ 68,397
2020	68,397
2021	68,397
2022	68,397
2023	50,167
	323,755
Less: imputed interest	(42,520)
	\$ 281,235

The United Church Downtown Mission of Windsor Inc.

Notes to Financial Statements

December 31, 2018

7. Financial instruments risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed rate instruments subject the organization to a fair value risk while variable rate instruments subject it to a cash flow risk. The organization is exposed to this risk for its investments. The risk associated with investments is reduced to a minimum since these assets are invested in government securities and represent short-term maturities.

8. Comparative figures

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

9. Commitments

a) The Mission has entered into a lease agreement in excess of one year for janitorial, maintenance and landscaping services; expiring March 2020 and for office equipment expiring 2019; respectively. The minimum annual payments for all leases net of applicable taxes for the next two years are as follows:

2019	\$ 235,544
2020	<u>47,109</u>
	<u>\$ 282,653</u>

c) The Mission is subleasing surplus space of two units based on a fixed minimum rent and estimated operating cost recoveries for \$4,452 per month; expiring March 2023. All other tenants are on month to month leases.

10. Subsequent event

The Mission has acquired the property at 850 Ouellette Avenue for \$3,600,000. The transaction is set to close in June 2019.

The Mission has sold the property at 664 Victoria for \$900,000. The transaction is set to close in June 2019.
