

Wesley Urban Ministries Inc.
Financial Statements
For the year ended March 31, 2021

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For the year ended March 31, 2021

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Tel: 289 881 1111
Fax: 905 845 8615
www.bdo.ca

BDO Canada LLP
360 Oakville Place Drive, Suite 500
Oakville ON L6H 6K8 Canada

Independent Auditor's Report

To the Board of Directors of Wesley Urban Ministries Inc.

Qualified Opinion

We have audited the financial statements of Wesley Urban Ministries Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net assets 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 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 March 31, 2021, 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 Organization derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to excess of revenue over expenses, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended March 31, 2020 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 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 these 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
June 23, 2021

Wesley Urban Ministries Inc.
Statement of Financial Position

March 31 **2021** **2020**

Assets

Current

Cash and cash equivalents	\$ 2,343,351	\$ 780,689
Restricted cash and short-term investments (Note 2)	593,478	686,577
Accounts receivable	1,108,594	785,978
Prepaid expenses	19,984	21,846

4,065,407 2,275,090

Restricted long-term investments (Note 2)	3,422,777	2,929,501
Endowment investments (Note 8)	31,630	31,542
Capital assets (Note 3)	756,367	938,003

\$ 8,276,181 \$ 6,174,136

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 1,206,250	\$ 992,985
Deferred revenue (Note 5)	1,288,626	711,871

2,494,876 1,704,856

Deferred capital contributions (Note 6)	573,644	704,795
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3,068,520 2,409,651

Net Assets

Unrestricted net assets	1,794,924	351,836
Board restricted net assets (Note 7)	3,381,107	3,381,107
Endowments (Note 8)	31,630	31,542

5,207,661 3,764,485

\$ 8,276,181 \$ 6,174,136

On behalf of the Board:



Howard Williamson, Board Chair

Director



Don Seymour, Executive Director

Director

The accompanying notes are an integral part of these financial statements.

Wesley Urban Ministries Inc. Statement of Operations

For the year ended March 31	2021	2020
Revenue		
Community donations and grants (Note 9)	\$ 1,870,520	\$ 1,834,456
Grants		
Government of Canada	2,094,407	2,019,725
Government of Ontario	3,420,439	3,186,221
Municipalities	7,839,608	6,599,338
The United Church of Canada	141,706	108,619
Participant fees	1,107,559	1,057,866
Interest and investment income	6,225	3,018
Amortization of deferred capital contributions (Note 6)	170,996	140,544
	16,651,460	14,949,787
Expenses		
Salaries and benefits	9,664,722	10,008,411
Program expenses	3,394,587	2,642,427
Rent	552,486	579,880
COVID-19 programs and expenses	436,881	-
Purchase of services	347,480	569,777
Building, property and janitorial	281,702	148,448
Amortization of capital assets	271,083	229,306
Professional fees	188,942	94,302
Staff development	186,086	115,316
Communications	126,846	86,584
Maintenance and supplies	100,104	87,700
Fundraising	79,915	105,127
Insurance	64,311	57,402
Travel	47,141	96,500
Office and general	17,622	35,117
Interest and other charges	8,386	10,555
	15,768,294	14,866,852
Excess of revenue over expenses before other items	883,166	82,935
Other items		
Donations from various estates (Note 7)	157,582	348,292
Interest and investment income (loss) related to board restricted assets	402,428	(78,501)
Scholarships granted (Note 7)	-	(388)
	560,010	269,403
Excess of revenue over expenses	\$ 1,443,176	\$ 352,338

The accompanying notes are an integral part of these financial statements.

**Wesley Urban Ministries Inc.
Statement of Changes in Net Assets**

For the year ended March 31

	Unrestricted (Note 7)	Board Restricted	Endowments (Note 8)	2021 Total
Balance, beginning of year	\$ 351,836	\$ 3,381,107	\$ 31,542	\$ 3,764,485
Excess of revenue over expenses	1,443,088	-	88	1,443,176
Balance, end of year	\$ 1,794,924	\$ 3,381,107	\$ 31,630	\$ 5,207,661

	Unrestricted (Note 7)	Board Restricted	Endowments (Note 8)	2020 Total
Balance, beginning of year	\$ -	\$ 3,381,107	\$ 31,040	\$ 3,412,147
Excess of revenue over expenses	351,836	-	502	352,338
Balance, end of year	\$ 351,836	\$ 3,381,107	\$ 31,542	\$ 3,764,485

The accompanying notes are an integral part of these financial statements.

Wesley Urban Ministries Inc. Statement of Cash Flows

For the year ended March 31	2021	2020
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 1,443,176	\$ 352,338
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities		
Amortization of deferred capital contributions	(170,996)	(140,544)
Amortization of capital assets	271,083	229,306
Changes in non-cash working capital balances		
Accounts receivable	(322,616)	(272,661)
Prepaid expenses	1,862	53,410
Accounts payable and accrued liabilities	213,265	200,766
Deferred revenue	576,755	39,454
	2,012,529	462,069
Cash flows from investing activities		
Purchases of restricted cash and investments, net	(400,265)	(247,416)
Capital asset additions	(89,447)	(319,956)
	(489,712)	(567,372)
Cash flows from financing activity		
Deferred contributions related to capital assets	39,845	319,956
	39,845	319,956
Increase in cash and cash equivalents during the year	1,562,662	214,653
Cash and cash equivalents, beginning of year	780,689	566,036
Cash and cash equivalents, end of year	\$ 2,343,351	\$ 780,689
Represented by		
Cash	\$ 2,242,651	\$ 646,658
Cash equivalents	100,700	134,031
	\$ 2,343,351	\$ 780,689

The accompanying notes are an integral part of these financial statements.

Wesley Urban Ministries Inc. Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies

Nature of Business

The Organization was founded in 1955 and was incorporated, as a corporation without share capital, under letters patent issued under the Ontario Corporation Act on August 22, 1979. The Organization is a registered Canadian charity and is therefore exempt from payment of income tax as provided under the Income Tax Act.

Its purpose is to alleviate and prevent poverty in Hamilton, Halton and Brantford, in every stage and from every walk of life.

Basis of Accounting

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

Revenue and expenses related to program delivery and administrative activities are reported in the Unrestricted fund.

Investment income earned on endowments is reported in the Statement of Operations and is used in accordance with the purposes established by the donors.

Board restricted net assets reports amounts that have been internally restricted by the Board of Directors. These may include bequests, donations, interest earned on restricted funds and any excess of revenue over expenses from operations formally restricted by the Board. The use of these funds requires approval from the Board of Directors.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions, which include donations and government grants.

Revenue from unrestricted donations, fundraising, and participant fees is recognized when it is received.

Revenue derived from grants and externally restricted donations is recognized when the related expenditures have been made. Funds received for which the related expenditures have not been made are recorded as deferred revenue.

Externally restricted contributions for amortizable capital assets are deferred and amortized over the life of the related capital asset.

Investment income is recognized when earned.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cashable guaranteed investment certificates.

Wesley Urban Ministries Inc. Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies (Continued)

Capital Assets

Capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of the contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	- 5 years
Computer equipment	- 3 years
Vehicle	- 5 years

Leasehold improvements are amortized on a straight-line basis as follows:

195 Ferguson Avenue North	- 5 years
155 Queen Street North	- 5 years
1900 Main Street West	- 5 years
52 Catharine Street	- 10 years

When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Contributed Materials and Services

Volunteers contribute extensive time each year to assist the Organization in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Due to the difficulty in determining the fair value of materials contributed to the Organization they are not recognized in the financial statements.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equity instruments that are quoted in an active market are reported at fair value, with any unrealized gains and losses reported in revenue. All other 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 issues of financial instruments are expensed for those items re-measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

Wesley Urban Ministries Inc. Notes to Financial Statements

March 31, 2021

2. Restricted Cash and Investments

Board restricted cash and investments include term deposits, guaranteed investment certificates, corporate and government bonds and other fixed term securities, common shares, preferred shares and foreign securities. Restricted cash and investments with remaining maturities of less than one year in the amount of \$593,478 (2020 - \$686,577) are classified as restricted cash and short-term investments. Short-term fixed income investments bear interest between 1.25% and 3.25% (2020 - 2.03% and 2.84%). Investments with maturities greater than one year are classified as restricted long-term investments.

Restricted long-term investments consist of the following:

	2021		2020	
	Cost	Market	Cost	Market
Fixed income	\$ 1,728,337	\$ 1,793,694	\$ 1,842,013	\$ 1,852,141
Common shares	1,026,782	1,195,161	916,760	858,382
Preferred shares	249,071	255,233	168,969	137,927
Foreign securities	168,853	178,689	79,920	81,051
	\$ 3,173,043	\$ 3,422,777	\$ 3,007,662	\$ 2,929,501

Restricted long-term fixed income investments have maturity dates that range from April 2022 to June 2025 (2020 - June 2021 to January 2026) and bear interest between 1.83% and 4.54% (2020 - 1.25% and 4.54%).

The Organization's investments are managed by a third party investment manager and investments in the portfolio are made in accordance with the Organization's investment policy as approved by the Board established by the Finance and Risk Committee. The objective of the investment policy is to preserve capital and obtain modest growth, while minimizing volatility of the portfolio.

The Organization manages its portfolio investments based on its cash flow needs and with a view to optimising its investment income within an appropriate level of risk.

Wesley Urban Ministries Inc. Notes to Financial Statements

March 31, 2021

3. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 770,917	\$ 676,897	\$ 743,284	\$ 616,090
Computer equipment	334,028	312,244	334,028	282,320
Leasehold improvements				
- Main	578,683	183,622	529,082	103,181
Leasehold improvements				
- Ferguson	263,299	263,299	263,299	263,299
Leasehold improvements				
- Queen	405,412	357,524	405,412	338,326
Leasehold improvements				
- Catharine	672,444	490,781	660,231	417,159
Vehicle	35,449	19,498	35,449	12,407
	\$ 3,060,232	\$ 2,303,865	\$ 2,970,785	\$ 2,032,782
Net book value		\$ 756,367		\$ 938,003

4. Operating Loan

The Organization has an operating line of credit of \$900,000 with the Royal Bank of Canada. As collateral, the Organization has provided a general security agreement covering all assets. Interest is charged at the bank's prime rate plus 0.9%. As at March 31, 2021, the outstanding loan amount was \$Nil (2020 - \$Nil).

5. Deferred Revenue

Included within deferred revenue are the following:

	2021	2020
City of Hamilton	\$ 464,323	\$ 52,468
Foundations	193,758	403,783
Government of Canada	3,014	10,725
Government of Ontario	302,400	93,074
Other	192,468	16,343
Newcomer Fund	77,741	37,951
The United Church of Canada	54,922	97,527
	\$ 1,288,626	\$ 711,871

Wesley Urban Ministries Inc. Notes to Financial Statements

March 31, 2021

6. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of grants and donations received for the purchase of capital assets. The changes in the deferred capital contributions balance are as follows:

	2021	2020
Balance, beginning of year	\$ 704,795	\$ 525,383
Contributions received during the year	39,845	319,956
Amount amortized during the year	(170,996)	(140,544)
Balance, end of year	\$ 573,644	\$ 704,795

7. Board Restricted Net Assets

The Board has historically passed motions to restrict a portion of interest earned on board restricted net assets and the excess of revenue over expenses from operations. During the year, donations from various estates of \$Nil (2020 - \$Nil) were restricted in accordance with Board policy of restricting individual donations in excess of \$10,000. During the year, the Board granted scholarships of \$Nil (2020 - \$388) from interest and investment income related to board restricted net assets.

8. Endowments

Investment income generated from endowments must be used in accordance with the various purposes established by the donors. Management ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were intended.

9. Community Donations and Grants

	2021	2020
Individuals	\$ 490,262	\$ 308,890
Local churches	64,475	41,085
Hamilton Community Foundation	94,500	63,014
United Way	263,131	165,978
Groups and organizations	790,983	1,051,531
Special events	123,598	172,912
Corporate donations	43,571	31,046
	\$ 1,870,520	\$ 1,834,456

Wesley Urban Ministries Inc. Notes to Financial Statements

March 31, 2021

10. Donated Goods

The Organization receives donations in the form of goods for use in its programs. Based on management's estimate, the approximate value of goods received during the year was \$34,632 (2020 - \$895,045). No amount has been recorded in the financial statements for these donated goods.

11. Commitments

The Organization has operating leases for its various locations with aggregate minimum annual payments for the next three years as follows:

2022	\$	253,534
2023		259,243
2024		<u>89,551</u>
	\$	<u>602,328</u>

12. Employee Retirement Program

The Organization has established a RRSP benefit program available to full-time employees upon completion of one year of service. The Organization will contribute 2% of the individual employee's salary into a group RRSP plan. During the year, \$107,119 (2020 - \$109,669) was expensed within salaries and benefits on the Statement of Operations in connection with this program. Employees may also contribute to the group RRSP plan through payroll, directly deducted off of their biweekly pay.

Wesley Urban Ministries Inc.
Notes to Financial Statements

March 31, 2021

13. Licensed Childcare

The Organization provides licensed childcare services in the City of Hamilton. Revenue and expenses associated with running the licensed childcare is as follows:

	2021	2020
Revenue		
Parent fees	\$ 94,017	\$ 217,133
Fee subsidy	389,985	448,361
Wage subsidy	103,960	148,348
Expansion funding	84,589	-
Fundraising	62,246	124,391
	\$ 734,797	\$ 938,233
Expenses		
Accounting fees	\$ 25,606	\$ 83,924
Business insurance	3,000	3,000
Catering	5,312	14,866
Cleaning supplies	1,348	2,359
COVID-19	5,757	-
Employee benefits	81,750	90,355
Expansion	84,589	-
Food	11,243	30,578
Office and general supplies	969	353
Program supplies	16,004	54,325
Rent	31,706	29,150
Staff training and development	-	90
Telephone	3,548	3,789
Travel	680	3,176
Wages and salary	458,166	616,269
WSIB premium	5,119	5,999
	\$ 734,797	\$ 938,233

Wesley Urban Ministries Inc. Notes to Financial Statements

March 31, 2021

14. Financial Instruments

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they come due. The Organization manages its liquidity risk by monitoring its operating requirements and maintaining available credit facilities. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. This risk has not changed from the prior year.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Organization is exposed to this risk through its interest bearing investments. Interest rate risk is managed by the Organization through construction of a portfolio of fixed yield investments with varying maturity and interest rates. Additionally, the Organization's policy is to hold the fixed yield investments until maturity in order to realize the coupon value of the instrument. This risk has not changed from the prior year.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's most significant exposure to credit risk is its accounts receivable.

Market Risk

Market risk arises from the possibility that changes in market prices will affect the level of investments held by the Organization. The Organization is subject to market risk on its restricted investments. The values of these restricted investments will fluctuate as a result of changes in market prices or other factors affecting the values of the investments.

15. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, resulting in economic uncertainties. Many of the Organizations programs are considered essential and continued to operate throughout the pandemic.

During the year, the Organization received funding from various municipal and provincial government departments related to COVID-19 response. The Organization received \$918,952, from the Region of Halton to help run the Halton COVID-19 response, \$790,962 from from the City of Hamilton to run isolation centres, and over \$200,000 in temporary wage enhancements during the year . \$62,982 of the Region of Halton funding and \$175,613 of the funding from the City of Hamilton has not yet to be spent and is included in deferred revenue.

Given the daily evolution of the COVID-19 pandemic and the global responses to curb its spread, the Organization is not able to fully estimate the effects of the COVID-19 pandemic on its results of operations, financial condition, or liquidity at this time.