

SILOAM MISSION INC.

WINNIPEG, MANITOBA

APRIL 30, 2010

Chambers, Fraser & Co.

Chartered Accountants

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AUDITORS' REPORT

To The Directors of
Siloam Mission Inc.
Winnipeg, Manitoba

We have audited the statement of financial position of Siloam Mission Inc. as at April 30, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In common with many non-profit organizations, the organization reports donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we are unable to determine whether any adjustments for unrecorded revenues might be necessary to revenues, excess (deficiency) of revenues over expenses or net assets.

In our opinion, except for the effect of adjustments, if any, which might have been required had we been able to satisfy ourselves with respect to the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at April 30, 2010 and the results of operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chambers, Fraser & Co.

Chartered Accountants

Winnipeg, Manitoba
September 3, 2010

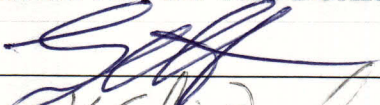
SILOAM MISSION INC.

STATEMENT OF FINANCIAL POSITION

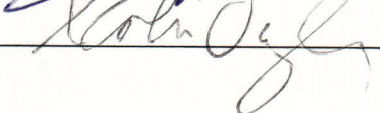
April 30

	2010	2009
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and term deposit	471,112	412,943
Accounts receivable	131,372	100,217
Prepaid expense	6,716	3,197
	<u>609,200</u>	<u>516,357</u>
FIXED ASSETS - note 3	<u>3,910,179</u>	<u>3,576,468</u>
	<u>4,519,379</u>	<u>4,092,825</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank overdraft - note 4	26,310	34,565
Accounts payable and accrued liabilities	790,230	465,337
Unearned service fees	61,433	60,233
Current portion of long-term debt	118,967	93,553
	<u>996,940</u>	<u>653,688</u>
LONG-TERM DEBT - note 5	<u>1,233,645</u>	988,786
DEFERRED CONTRIBUTIONS - Operating - note 6		<u>37,024</u>
DEFERRED CONTRIBUTIONS - Capital - note 7	<u>1,809,634</u>	<u>1,886,286</u>
NET ASSETS		
Invested in fixed assets - note 8	747,933	607,843
Unrestricted	(268,773)	(80,802)
	<u>479,160</u>	<u>527,041</u>
	<u>4,519,379</u>	<u>4,092,825</u>

APPROVED BY THE BOARD



Director



Director

SILOAM MISSION INC.**STATEMENT OF OPERATIONS**

	Year Ended April 30	
	2010	2009
	\$	\$
REVENUE		
Private donations	4,173,453	3,946,039
Government funding		64,311
Foundation funding	121,344	180,408
Government fee for service	1,013,589	988,797
Private sales of goods and services	64,429	42,537
	<u>5,372,815</u>	<u>5,222,092</u>
Transferred to deferred contributions - capital - note 7	(33,491)	(173,161)
Amortization of deferred contributions - capital - note 7	110,143	119,020
Amortization of deferred contributions - operating - note 6	37,024	161,021
Interest income and sundry	12,036	10,048
	<u>5,498,527</u>	<u>5,339,020</u>
EXPENSES		
Community funded programs	2,732,001	2,205,581
Government funded programs	1,013,589	1,053,108
Fundraising	606,986	593,712
Administration	439,600	349,296
Facility and technology	502,352	463,241
Amortization	251,880	236,102
	<u>5,546,408</u>	<u>4,901,040</u>
NET REVENUE (EXPENDITURE)	<u>(47,881)</u>	<u>437,980</u>

SILOAM MISSION INC.

STATEMENT OF CHANGES IN NET ASSETS

Net Assets	Year Ended April 30			
	Invested In Fixed Assets	Unrestricted	2010 Total	2009 Total
	\$	\$	\$	\$
Balance - beginning of year	607,843	(80,802)	527,041	89,061
Net revenue (expenditure) - note 8	(141,737)	93,856	(47,881)	437,980
Investment in fixed assets - note 8	281,827	(281,827)		
Balance - end of year	<u>747,933</u>	<u>(268,773)</u>	479,160	<u>527,041</u>

SILOAM MISSION INC.**STATEMENT OF CASH FLOWS**

	Year Ended April 30	
	2010	2009
	\$	\$
CASH DERIVED FROM (APPLIED TO)		
OPERATIONS		
Net revenue (expenditures)	(47,881)	437,980
Items not affecting cash:		
Amortization of fixed assets	251,880	236,102
Amortization of deferred contributions	(147,167)	(280,041)
Receipt of deferred contributions	33,491	173,161
Net change in non-cash working capital balances:		
Accounts receivable	(31,155)	(26,453)
Prepaid expenses	(3,519)	(3,197)
Accounts payable and accrued liabilities	324,893	(77,124)
Unearned service fees	1,200	60,233
	<u>381,742</u>	<u>520,661</u>
FINANCING		
Loan proceeds	379,690	
Loan principal repayments	(109,417)	(91,330)
	<u>270,273</u>	<u>(91,330)</u>
INVESTING		
Acquisition of fixed assets	<u>(585,591)</u>	<u>(286,341)</u>
NET INCREASE (DECREASE) IN CASH	66,424	142,990
CASH (DEFICIENCY) - beginning of year	<u>378,378</u>	<u>235,388</u>
CASH (DEFICIENCY) - end of year	<u><u>444,802</u></u>	<u><u>378,378</u></u>
CASH IS COMPRISED OF		
Cash and term deposits	471,112	412,943
Bank overdraft	(26,310)	(34,565)
	<u><u>444,802</u></u>	<u><u>378,378</u></u>
CASH FLOWS FROM INTEREST		
Interest paid – long-term debt	(37,844)	(52,415)
Other interest and bank charges	(36,169)	(29,006)
Interest received	3,645	7,172
	<u><u>70,368</u></u>	<u><u>74,249</u></u>

SILOAM MISSION INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2010

1. PURPOSE AND STRUCTURE

As a Christian humanitarian agency, Siloam Mission Inc. acts as a connecting point between the compassionate and Winnipeg's less fortunate. Siloam Mission alleviates the hardships of poverty and homelessness as Mission staff, volunteers and donors provide free meals, shelter, clothing and support services. The Mission assists in transitioning homeless and disadvantaged people to more self-sufficient and healthier lifestyles by providing referral services, life-skill development, education upgrading and employment training opportunities. The organization is a registered charity incorporated without share capital on August 24, 1987 under the laws of Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

The organization follows the deferral method of accounting for contributions. Restricted or deferred contributions relating to operations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Deferred contributions arising from the contribution of fixed assets are amortized on the same basis as the underlying assets.

Revenue from sale of service is recognized in the same period the service is rendered and related expenses incurred.

b) Expenses

Expenses are classified on the statement of operations according to the activity they benefit. The activities reported include Community Funded Programs, Government Funded Programs, Fundraising, Administration and Facility and Technology. All fixed asset amortization is charged to a single expenditure account.

A portion of administration staff salaries, fundraising staff salaries and executive salaries and expenses are attributed to Community Funded Programs based on budgeted time spent on the priorities of patron services, volunteerism and community awareness. A review is performed annually to assess the reasonableness of this basis of allocation.

Marketing and advertising expenditures are attributed to the three core external functions of the organization. These are volunteerism and community awareness (Community Funded Programs) and fundraising. The expenditures are distributed equally to each function.

SILOAM MISSION INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2010

b) Expenses (continued)

Community Funded Programs

Programs aimed at addressing poverty and homelessness encompasses three areas. These are patron services, volunteerism and community awareness. Patron services include the costs of providing basic and transformation services to those who come for help. Volunteerism includes the cost of recruitment, screening, orientation, training and supporting volunteers throughout the organization. Community awareness includes costs associated with informing and educating the public on homelessness, poverty and inner-city issues.

Government Funded Programs

The organization contracts with government to provide a range of services to the poor and homeless. This expenditure category includes all costs recovered pursuant to those contracts.

Fundraising

Fundraising includes the costs of raising the funds to provide the means for continuing the organization's mission. These costs are primarily aimed at the recruitment and support of donors.

Administration

Administration includes costs related to ensuring organizational accountability and compliance with regulatory bodies.

Facility and Technology

Facility and technology includes costs related to the facility operation and maintenance and information technology costs not included in fixed assets.

Amortization

All fixed asset amortization expense for the organization is charged to this expenditure category.

c) Fixed Assets

Purchased fixed assets are recorded at cost. Contributed fixed assets are recorded at fair market value at the date of contribution. Amortization of fixed assets is recorded applying the rates indicated in note 3 over the expected useful life of the assets. For leasehold improvements, amortization is calculated on a straight line basis. For all other assets, amortization is calculated on the diminishing balance basis.

SILOAM MISSION INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2010

d) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e) Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, other receivables, bank advances, and accounts payable and accrued liabilities approximates fair value due to the short-term maturities of these instruments.

The fair value of the long-term liabilities is estimated to approximate their carrying values as they bear interest at market rates for similar debt.

Unless otherwise noted, it is management's opinion the organization is not exposed to significant interest, current or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

3. FIXED ASSETS

Capital assets are amortized at the rates shown below on the declining balance basis.

		<u>2010</u>		
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
		\$	\$	\$
Land		200,000		200,000
Building	4%	3,838,402	558,067	3,280,335
Equipment and furniture	20%	721,235	341,509	379,726
Leasehold improvements	20%	21,172	8,468	12,704
Vehicles	30%	87,917	50,503	37,414
		<u>4,868,726</u>	<u>958,547</u>	<u>3,910,179</u>
		<u>2009</u>		
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
		\$	\$	\$
Land		100,000		100,000
Building	4%	3,476,481	421,386	3,055,095
Equipment and furniture	20%	631,617	246,578	385,039
Leasehold improvements	20%	21,172	4,234	16,938
Vehicles	30%	53,865	34,469	19,396
		<u>4,283,135</u>	<u>706,667</u>	<u>3,576,468</u>

SILOAM MISSION INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2010

4. BANK OVERDRAFT

The line of credit from Steinbach Credit Union (SCU) is repayable on demand and bears interest at the credit union's standard lending rate plus 0.5%. It is secured by an assignment of credit union deposits. The line of credit balance was \$26,310 at year end (2009, \$34,565).

The line of credit from the Assiniboine Credit Union (ACU) is repayable on demand and bears interest at the credit union's prime lending rate. It is secured by an assignment of credit union deposits and a general security agreement on all assets of the organization. The line of credit balance was nil at year end (2008 - nil).

These are not net terms of renewal or maturity on these credit facilities

5. LONG-TERM DEBT

Long-term debt is comprised of the following:

	<u>2010</u>	<u>2009</u>
	\$	\$
Mortgage Payable Western Britches Manitoba Ltd.	-	10,000
<p>The mortgage is repayable in annual instalments of \$10,000 free of interest. It is secured by a mortgage on the property located at 300 Princess Street, Winnipeg, Manitoba. The loan matured September, 2009</p>		
Mortgage Payable Steinbach Credit Union (SCU)	809,014	887,901
<p>The mortgage is repayable on demand with in monthly instalments of \$8,600 including interest calculated at the credit union's standard rate plus 0.5%. It is secured by an All-Obligations mortgage in the amount of \$995,000 creating a first charge on the property located at 300 Princess Street, Winnipeg, Manitoba.</p>		
Mortgage Payable Church of the Nazarene Canada #1	171,351	184,438
<p>The mortgage is repayable in monthly instalments of \$1,680 including interest at 2.75%, maturing August, 2014. It is secured by a mortgage on the property located at 300 Princess Street, Winnipeg, Manitoba and a promissory note provided by the Canada West District Church of the Nazarene</p>		

SILOAM MISSION INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2010

5. LONG-TERM DEBT (continued)

Mortgage Payable Crosstown Civic Credit Union **198,864** -

The mortgage is repayable on demand with monthly instalments of \$1,200 including interest calculated at the credit union's prime rate plus 0.75%, maturing August, 2028. It is secured by a standard charge mortgage in the amount of \$200,000 creating a first charge on the property located at 288 Princess Street, Winnipeg, Manitoba.

Loan Payable Church of Nazarene Canada #2 **148,648** -

The loan is repayable in monthly instalments of \$1,017 including interest calculated at 2.75%, maturing December, 2014. It is secured by a promissory note provided by the Canada West District Church of the Nazarene.

Loan Payable Assiniboine Credit Union **24,735** -

The loan is repayable in monthly instalments of \$551 including interest calculated at the credit union's standard lending rate plus 2.00%, maturing May, 2014. It is secured by a promissory note and a security agreement on a 2009 Chevrolet Silverado.

Total long-term debt	1,352,612	1,082,339
Less: Current portion	(118,967)	(93,553)
	1,233,645	988,786

The estimated principal repayments on over the next 5 years are as follows:

	\$
2011	118,967
2012	119,997
2013	123,888
2014	127,903
2014	125,886
	616,641

SILOAM MISSION INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2010

6. DEFERRED CONTRIBUTIONS - OPERATING

Deferred operating contributions represent funding related to expenses to be incurred in future periods. Changes in the deferred contributions for the year are as follows:

	<u>2010</u>	<u>2009</u>
	\$	\$
Balance - beginning of year	37,024	198,045
Clinic expenses (net) incurred during the year	<u>(153,009)</u>	<u>(161,021)</u>
	<u>-</u>	<u>37,024</u>

7. DEFERRED CONTRIBUTIONS - CAPITAL

Deferred contributions related to fixed assets represent the unamortized portions of contributed fixed assets as well as restricted contributions for the purpose of constructing or purchasing fixed assets. Changes in the deferred contributions for the year are as follows:

	<u>2010</u>	<u>2009</u>
	\$	\$
Balance - beginning of year	1,886,286	1,832,145
Capital funding received	33,491	173,161
Capital funding amortized	<u>(110,143)</u>	<u>(119,020)</u>
	<u>1,809,634</u>	<u>1,886,286</u>

8. NET ASSETS INVESTED IN FIXED ASSETS

Balance - beginning of year	607,843	520,415
Net revenue (expenditure)		
Amortization of fixed assets	(251,880)	(236,102)
Amortization of deferred contributions	<u>110,143</u>	<u>119,020</u>
	<u>(141,737)</u>	<u>(117,082)</u>
Investment in fixed assets		
Acquisition of fixed assets	585,591	286,341
Restricted contributions	(33,491)	(173,161)
Decrease (Increase) in mortgage - net	<u>(270,273)</u>	<u>91,330</u>
	<u>281,827</u>	<u>204,510</u>
	<u>747,933</u>	<u>607,843</u>

SILOAM MISSION INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2010

9. RELATED PARTY TRANSACTIONS

The organization has agreed to a working relationship with the Canada West District Church of the Nazarene regarding the ministry of Siloam Mission Inc. Pursuant to that agreement, the parties hold joint title to Siloam Mission property. As a result, both parties are signatories to the mortgages registered upon the properties located at 300 and 288 Princess Street, Winnipeg, Manitoba and, as indicated in note 5, Canada West has provided a promissory note as security for the mortgages payable to the Church of the Nazarene Canada.

10. CONTRIBUTED GOODS AND SERVICES

The organization records contributed goods as revenue in those situations where the fair value is independently determinable and a charitable receipt is requested. Such items have been recorded as revenue in the current year in the amount of \$109,805 (2009 - \$101,370). In addition, unreceipted contributed goods in the current year that have not been recognized in these financial statements have been estimated at \$930,000 (unaudited) (2009 - \$1,033,000 unaudited).

Management has calculated volunteer time in the current year at 60,338 hours (unaudited). Because of the difficulty in determining the fair value of these services, they have not been recognized in these financial statements.

11. RETIREMENT PLAN

Individuals employed by the organization for more than three months are eligible to participate in a defined contribution registered pension plan. The organization matches eligible employee pension contributions at a rate of 5% of gross employee salary. The employer share of the pension contribution is funded on a monthly basis therefore no pension liability exists at year end. The employer share of pension contributions for the fiscal year was \$89,671.

12. ALLOCATED EXPENDITURES

Expenditures charged to Community Funded Programs include the following allocations

	<u>2010</u>	<u>2009</u>
	\$	\$
Administrative salaries	59,945	39,241
Executive salaries and expenses	287,323	302,547
Fundraising salaries	81,081	81,461

Executive salaries and expenses not charged to Community Funded Programs are included in Administration expense.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year