

**SILOAM MISSION INC.**

**WINNIPEG, MANITOBA**

**APRIL 30, 2011**

**Chambers, Fraser & Co.**  
Chartered Accountants

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**SILOAM MISSION INC.**

**INDEX TO THE FINANCIAL STATEMENTS**

**APRIL 30, 2011**

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# Chambers, Fraser & Co.

## Chartered Accountants

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### INDEPENDENT AUDITOR'S REPORT

The Directors of  
Siloam Mission Inc.  
Winnipeg, Manitoba

We have audited the accompanying financial statements of the Siloam Mission Inc., which comprise the statement of financial position as at April 30, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Information*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

*Basis for Qualified Opinion*

In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustment might be necessary to this revenue, excess of revenue over expenses, assets and net assets.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Siloam Mission Inc. as at April 30, 2011, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Chambers, Fraser & Co.*

Chambers, Fraser & Co.

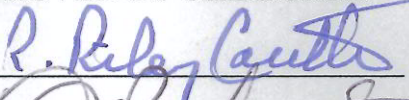
Winnipeg, Manitoba  
September 24, 2011

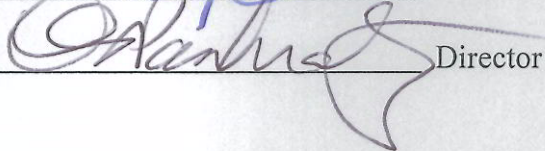
STATEMENT OF FINANCIAL POSITION

April 30

	2011	2010
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and term deposit	455,654	471,112
Accounts receivable	150,445	131,372
Prepaid expense	10,218	6,716
	<u>616,317</u>	<u>609,200</u>
<b>FIXED ASSETS - note 3</b>	<u>4,286,948</u>	<u>3,910,179</u>
	<u><u>4,903,265</u></u>	<u><u>4,519,379</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Bank overdraft - note 4		26,310
Accounts payable and accrued liabilities	280,645	790,230
Unearned service fees and deposits	26,341	61,433
Current portion of long-term debt	114,084	118,967
	<u>421,070</u>	<u>996,940</u>
<b>LONG-TERM DEBT - note 5</b>	<u>1,102,234</u>	<u>1,233,645</u>
<b>DEFERRED CONTRIBUTIONS - Operating - note 6</b>	<u>10,000</u>	
<b>DEFERRED CONTRIBUTIONS - Capital - note 7</b>	<u>1,937,654</u>	<u>1,809,634</u>
<b>NET ASSETS</b>		
Invested in fixed assets - note 8	1,132,977	747,933
Unrestricted	299,330	(268,773)
	<u>1,432,307</u>	<u>479,160</u>
	<u><u>4,903,265</u></u>	<u><u>4,519,379</u></u>

APPROVED BY THE BOARD

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 24, 2011

## STATEMENT OF OPERATIONS

	Year Ended April 30	
	2011	2010
	\$	\$
<b>REVENUE</b>		
Private donations	4,263,451	4,063,648
Private donations – contributed goods and fixed assets - note 10	293,955	109,805
Government funding	200,000	
Foundation funding	61,504	121,344
Government fee for service	1,013,338	1,013,589
Private sales, services and rental revenue	75,308	64,429
	<u>5,907,556</u>	<u>5,372,815</u>
Transferred to deferred contributions - capital - note 7	(235,900)	(33,491)
Transferred to deferred contributions – operating - note 6	(10,000)	
Amortization of deferred contributions - capital - note 7	107,880	110,143
Amortization of deferred contributions - operating - note 6		37,024
Gain (loss) on disposal of fixed assets	(8,360)	
Interest income and sundry	7,585	12,036
	<u>5,768,761</u>	<u>5,498,527</u>
<b>EXPENSES</b>		
Community funded programs	2,108,670	2,732,001
Government funded programs	1,013,338	1,013,589
Fundraising	570,626	606,986
Administration	374,703	439,600
Facility and technology	515,413	502,352
Amortization	232,864	251,880
	<u>4,815,614</u>	<u>5,546,408</u>
<b>NET REVENUE (EXPENDITURE)</b>	<u>953,147</u>	<u>(47,881)</u>

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 24, 2011.

## STATEMENT OF CHANGES IN NET ASSETS

Net Assets	Invested In Fixed Assets	Unrestricted	Year Ended April 30	
			2011 Total	2010 Total
	\$	\$	\$	\$
Balance - beginning of year	747,933	(268,773)	479,160	527,041
Net revenue (expenditure) - note 8	95,948	857,199	953,147	(47,881)
Investment in fixed assets - note 8	289,096	(289,096)		
Balance - end of year	<u>1,132,977</u>	<u>299,330</u>	<u>1,423,307</u>	<u>479,160</u>

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 24, 2011.

## STATEMENT OF CASH FLOWS

	Year Ended April 30	
	2011	2010
	\$	\$
<b>CASH DERIVED FROM (APPLIED TO)</b>		
<b>OPERATIONS</b>		
Net revenue (expenditures)	953,147	(47,881)
Items not affecting cash:		
Amortization of fixed assets	232,864	251,880
Amortization of deferred contributions	(107,880)	(147,167)
Receipt of deferred contributions	245,900	33,491
Loss on disposal of fixed assets	8,360	
Net change in non-cash working capital balances:		
Accounts receivable	(19,073)	(31,155)
Prepaid expenses	(3,501)	(3,519)
Accounts payable and accrued liabilities	(509,585)	324,893
Unearned service fees	(35,092)	1,200
	<u>765,140</u>	<u>381,742</u>
<b>FINANCING</b>		
Loan proceeds		379,690
Loan principal repayments	(136,294)	(109,417)
	<u>(136,294)</u>	<u>270,273</u>
<b>INVESTING</b>		
Acquisition of fixed assets	(640,494)	(585,591)
Proceeds on disposal of fixed assets	22,500	
	<u>(617,994)</u>	<u>(585,591)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>10,852</b>	<b>66,424</b>
<b>CASH (DEFICIENCY) - beginning of year</b>	<b>444,802</b>	<b>378,378</b>
<b>CASH (DEFICIENCY) - end of year</b>	<b>455,654</b>	<b>444,802</b>
<b>CASH IS COMPRISED OF</b>		
Cash and term deposits	455,654	471,112
Bank overdraft		(26,310)
	<u>455,654</u>	<u>444,802</u>
<b>CASH FLOWS FROM INTEREST</b>		
Interest paid – long-term debt	(43,674)	(37,844)
Other interest and bank charges	(25,917)	(36,169)
Interest received	3,802	3,645
	<u>(65,789)</u>	<u>(70,368)</u>

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 24, 2011.



## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2011

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**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. Rental revenue is recognized on a straight line basis over the period of the lease.

**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 expense 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.

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2011

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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.

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2011

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**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.

**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.

**f) Future Accounting Changes**

In December, 2010, the Accounting Standards Board ("AcSB") released Part III of the CICA Handbook – Accounting, which consists of standards for not-for-profit organizations. The accounting standards are effective for fiscal years beginning on or after January 1, 2012. The organization is currently assessing the impact of the adoption of these standards on its financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2011

## 3. FIXED ASSETS

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

	Rate	2011		
		Cost	Accumulated Amortization	Balance
		\$	\$	\$
Land		475,000		475,000
Buildings	4%	4,203,896	703,894	3,500,002
Equipment and furniture	20%	719,143	416,702	302,441
Vehicles	30%	52,676	43,171	9,505
		<u>5,450,715</u>	<u>1,163,767</u>	<u>4,286,948</u>
		2010		
	Rate	Cost	Accumulated Amortization	Balance
		\$	\$	\$
Land		200,000		200,000
Buildings	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>

## 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%. Security for this line of credit and the mortgage payable to SCU is disclosed in note 5 (below). The line of credit balance was nil at year end (2010, \$26,310).

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 first charge general security agreement on all assets of the organization. The line of credit balance was nil at year end (2010, nil).

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 24, 2011.

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2011

## 5. LONG-TERM DEBT

	2011	2010
	\$	\$
Long-term debt is comprised of the following:		
<b>Mortgage Payable Steinbach Credit Union (SCU)</b>	<b>732,049</b>	<b>809,014</b>
The mortgage is repayable on demand with monthly instalments of \$8,600 including interest calculated at the credit union's standard rate plus 0.5%. The mortgage payable and credit line (note 4) are 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 and a second charge general security agreement.		
<b>Mortgage Payable Church of the Nazarene Canada #1</b>	<b>153,806</b>	<b>171,351</b>
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		
<b>Mortgage Payable Crosstown Civic Credit Union</b>	<b>191,450</b>	<b>198,864</b>
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.		
<b>Loan Payable Church of Nazarene Canada #2</b>	<b>139,013</b>	<b>148,648</b>
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.		
<b>Loan Payable Assiniboine Credit Union</b>		<b>24,735</b>
The loan was repaid during the year.		
Total long-term debt	<b>1,216,318</b>	1,352,612
Less: Current portion	<b>(114,084)</b>	(118,967)
	<b>1,102,234</b>	1,233,645

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 24, 2011.

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2011

## 5. LONG-TERM DEBT (continued)

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

	\$
2012	114,084
2013	117,718
2014	122,467
2015	125,339
2016	<u>129,388</u>
	<u>608,996</u>

## 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>2011</u>	<u>2010</u>
	\$	\$
Balance - beginning of year		37,024
Operating contribution received but unexpended	10,000	
Expenditure of previous years' contributions		<u>(37,024)</u>
	<u>10,000</u>	<u>-</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>2011</u>	<u>2010</u>
	\$	\$
Balance - beginning of year	1,809,634	1,886,286
Capital contributions received - net of contributions for land	235,900	33,491
Capital contributions amortized	<u>(107,880)</u>	<u>(110,143)</u>
	<u>1,937,654</u>	<u>1,809,634</u>

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 24, 2011.

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2011

## 8. NET ASSETS INVESTED IN FIXED ASSETS

	<u>2011</u>	<u>2010</u>
	\$	\$
Balance - beginning of year	747,933	607,843
Net revenue (expenditure)		
Amortization of fixed assets	(232,864)	(251,880)
Amortization of deferred contributions	107,880	110,143
Capital contributions for land	229,292	
Loss on disposal of fixed assets	(8,360)	
	<u>95,948</u>	<u>(141,737)</u>
Investment in fixed assets		
Acquisition of fixed assets	640,494	585,591
Proceeds on disposal of fixed assets	(22,500)	
Capital contributions – net of contributions for land	(235,900)	(33,491)
Capital contributions for land	(229,292)	
Decrease (Increase) in mortgage - net	<u>136,294</u>	<u>(270,273)</u>
	<u>289,096</u>	<u>281,827</u>
	<u><u>1,132,977</u></u>	<u><u>747,933</u></u>

## 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, FIXED ASSETS 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. Contributed fixed assets are recorded at fair market value at the date of contribution. Such items have been recorded as revenue on the Statement of Operations. In addition, unreceipted contributed goods in the current year that have not been recognized in these financial statements have been estimated at \$893,000 (unaudited) (2010, \$930,000 unaudited).

Management has calculated volunteer time in the current year at 62,767 hours (unaudited). Because of the difficulty in determining the fair value of these services, they have not been recognized in these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2011

## 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 \$80,095 (2010, \$89,671).

## 12. ALLOCATED EXPENDITURES

Expenditures charged to Community Funded Programs include the following allocations

	<u>2011</u>	<u>2010</u>
	\$	\$
Administrative salaries	55,366	59,945
Executive salaries and expenses	352,259	287,323
Fundraising salaries	88,523	81,081

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