SILOAM MISSION INC.

WINNIPEG, MANITOBA

APRIL 30, 2012

Chambers, Fraser & Co.
Chartered Accountants

SILOAM MISSION INC.

INDEX TO THE FINANCIAL STATEMENTS

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Chambers, Fraser & Co.
Chartered Accountants
201-1874 Portage Avenue, Winnipeg, Man. R3J 0H2
Telephone (204) 889-0992
Fax (204) 888-7551
E-Mail: cfc@mts.net

E.E. Halligan, C.A.
E-Mail: ernie.cfc@mts.net

K.B. Hodgins, C.A.
E-Mail: ken.cfc@mts.net

Founded in 1951 By:
J.A. Chambers, C.A.

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, 2012, 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.

continued . . . . .

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, 2012, 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 25, 2012

STATEMENT OF FINANCIAL POSITION

	April 30 2012	2011
	$	$
ASSETS		
CURRENT ASSETS		
Cash and term deposit	**325,736**	455,654
Accounts receivable	**154,489**	150,445
Prepaid expense	**5,158**	10,218
	485,383	616,317
FIXED ASSETS - note 3	**4,963,960**	4,286,948
	5,449,343	4,903,265
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**438,832**	280,645
Unearned service fees and deposits	**20,604**	26,341
Current portion of long-term debt	**115,076**	114,084
	574,512	421,070
LONG-TERM LIABILITIES - note 6	**1,124,483**	1,102,234
FORGIVABLE LOAD PAYABLE – note 4	**206,364**	
DEFERRED CONTRIBUTIONS - Operating - note 7		10,000
DEFERRED CONTRIBUTIONS - Capital - note 8	**1,959,738**	1,937,654
NET ASSETS		
Invested in fixed assets - note 9	**1,558,299**	1,132,977
Unrestricted	**25,947**	299,330
	1,584,246	1,432,307
	5,449,343	4,903,265

COMMITMENTS – note 4

Approved by the Board

_______________ Director

_______________ Director

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 25, 2012.

STATEMENT OF OPERATIONS

	Year Ended April 30	
	2012	2011
	$	$
REVENUE		
Private donations	**4,123,700**	4,263,451
Private donations – contributed goods and fixed assets - note 11	**258,652**	293,955
Government funding	**137,000**	200,000
Foundation funding	**149,611**	61,504
Government fee for service	**1,105,335**	1,013,338
Rental revenue, sales and services	**460,340**	75,308
	6,234,638	5,907,556
Transferred to deferred contributions - capital - note 8	**(124,000)**	(235,900)
Transferred to deferred contributions – operating - note 7		(10,000)
Amortization of deferred contributions - capital - note 8	**101,916**	107,880
Amortization of deferred contributions - operating - note 7	**10,000**	
Gain (loss) on disposal of assets	**(331)**	(8,360)
Interest income and sundry	**16,463**	7,585
	6,238,686	5,768,761
EXPENSES		
Community funded programs	**2,890,477**	2,108,670
Government funded programs	**1,208,335**	1,013,338
Fundraising	**758,599**	570,626
Administration	**372,310**	374,703
Facility and technology	**627,768**	515,413
Amortization	**229,258**	232,864
	6,086,747	4,815,614
NET REVENUE (EXPENDITURE)	**151,939**	953,147

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 25, 2012.

STATEMENT OF CHANGES IN NET ASSETS

Year Ended April 30

Net Assets	Invested In Fixed Assets	Unrestricted	**2012 Total**	2011 Total
	$	$	**$**	$
Balance - beginning of year	**1,132,977**	**299,330**	**1,432,307**	479,160
Net revenue (expenditure) - note 9	**(127,342)**	**279,281**	**151,939**	953,147
Investment in fixed assets - note 9	**552,664**	**(552,664)**		
Balance - end of year	**1,558,299**	**25,947**	**1,584,246**	1,423,307

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 25, 2012.

STATEMENT OF CASH FLOWS

	Year Ended April 30	
	2012	2011
	$	$
CASH DERIVED FROM (APPLIED TO)		
OPERATIONS		
Net revenue (expenditures)	**151,939**	953,147
Items not affecting cash:		
Amortization of fixed assets	**229,258**	232,864
Amortization of deferred contributions	**(111,916)**	(107,880)
Receipt of deferred contributions	**124,000**	245,900
Loss on disposal of fixed assets		8,360
Net change in non-cash working capital balances:		
Accounts receivable	**(4,044)**	(19,073)
Prepaid expenses	**5,060**	(3,501)
Accounts payable and accrued liabilities	**158,187**	(509,585)
Unearned service fees	**(5,737)**	(35,092)
	546,747	765,140
FINANCING		
Forgivable loan proceeds	**206,364**	
Increase in long-term accounts payable	**132,664**	
Loan principal repayments	**(109,423)**	(136,294)
	229,605	(136,294)
INVESTING		
Acquisition of fixed assets	**(906,270)**	(640,494)
Proceeds on disposal of fixed assets		22,500
	(906,270)	(617,994)
NET INCREASE (DECREASE) IN CASH	**(129,918)**	10,852
CASH (DEFICIENCY) - beginning of year	**455,654**	444,802
CASH (DEFICIENCY) - end of year	**325,736**	455,654
CASH IS COMPRISED OF		
Cash and term deposit	**325,736**	455,654
CASH FLOWS FROM INTEREST		
Interest paid – long-term debt	**(39,201)**	(43,674)
Other interest and bank charges	**(34,750)**	(25,917)
Interest received	**4,110**	3,802
	(69,841)	(65,789)

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 25, 2012.

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.

Multifunctional staff salaries are charged to the activity the employee is principally engaged in and a portion then allocated to other activities based upon actual time spent (note 13 below). Prior to the 2012 fiscal year these allocations were based upon budgeted time spent engaged in other activities.

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.

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, retention 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. 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.

3. FIXED ASSETS

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

		2012		
	Rate	Cost	Accumulated Amortization	Balance
		$	$	$
Land		**475,000**		**475,000**
Construction in progress – note 4	4%	**776,674**		**776,674**
Buildings	4%	**4,203,896**	**843,895**	**3,360,001**
Equipment and furniture	20%	**848,740**	**503,109**	**345,631**
Vehicles	30%	**52,676**	**46,022**	**6,654**
		6,356,986	**1,393,026**	**4,963,960**

		2011		
	Rate	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
		5,450,715	1,163,767	4,286,948

4. MADISON LODGE REHABILITATION

Madison Lodge was acquired by the organization during the 2011 fiscal year to provide supportive, affordable housing to people who are homeless or at risk of becoming homeless. In 2012, a program of renovation and renewal to the property commenced. Total project costs are budgeted at $1,562,000.

The primary source of funding for this project is a forgivable loan from the Manitoba Housing and Renewal Corporation (MHRC) under the Rooming House – Residential Rehabilitation Assistance Program (RRAP) pursuant to Part VI of the National Housing Act. Loan funds are available to a maximum of $1,217,000.

Upon completion of the project, the loan is forgivable at a monthly rate of $10,142 over ten years provided the terms of the RRAP Project Operating Agreement between MHRC and the organization are not breached. The loan bears no interest and is secured by a mortgage on the property located at 210 Evanson Street, Winnipeg, Manitoba.

5. 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 6 (below). The line of credit balance was nil at year end (2011, nil).

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 (2011, nil).

6. LONG-TERM LIABILITIES

	2012	2011
	$	$
Long-term liabilities are comprised of the following:		
Mortgage Payable Steinbach Credit Union (SCU)	**653,265**	732,049
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.		
Mortgage Payable Church of the Nazarene Canada #1	**138,999**	153,806
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		
Mortgage Payable Crosstown Civic Credit Union	**184,127**	191,450
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.		

6. LONG-TERM LIABILITIES (continued)

	2012	2011
Loan Payable Church of Nazarene Canada #2	**130,504**	139,013

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.

Total long-term debt	**1,106,895**	1,216,318
Long –term accounts payable	**132,664**	
Total long-term liabilities	**1,239,559**	1,216,318
Less: Current portion	**(115,076)**	(114,084)
	1,124,483	1,102,234

The long-term accounts payable relate to construction in progress costs and were financed in 2012/13 through additional forgivable loan proceeds. The estimated principal repayments on long-term debt over the next 5 years are as follows:

	$
2013	115,076
2014	118,986
2015	122,998
2016	127,183
2017	131,512
	615,755

7. 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:

	2012	2011
	$	$
Balance - beginning of year	**10,000**	
Operating contribution received but unexpended		10,000
Expenditure of previous years' contributions	**(10,000)**	
	Nil	10,000

8. 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:

	2012	2011
	$	$
Balance - beginning of year	**1,937,654**	1,809,634
Capital contributions received – net of contributions for land	**124,000**	235,900
Capital contributions amortized	**(101,916)**	(107,880)
	1,959,738	1,937,654

9. NET ASSETS INVESTED IN FIXED ASSETS

	2012	2011
	$	$
Balance - beginning of year	**1,132,977**	747,933
Net revenue (expenditure)		
Amortization of fixed assets	**(229,258)**	(232,864)
Amortization of deferred contributions	**101,916**	107,880
Capital contributions for land		229,292
Loss on disposal of fixed assets		(8,360)
	(127,342)	95,948
Investment in fixed assets		
Acquisition of fixed assets	**906,269**	640,494
Proceeds on disposal of fixed assets		(22,500)
Capital contributions – net of contributions for land	**(124,000)**	(235,900)
Capital contributions for land		(229,292)
Forgivable loan proceeds	**(206,364)**	
Decrease (Increase) in long-term liabilities	**(23,241)**	136,294
	552,664	289,096
	1,558,299	1,132,977

10. 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 6, Canada West has provided a promissory note as security for the mortgages payable to the Church of the Nazarene Canada.

11. 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. These contributions 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 $1,054,000 (unaudited) (2011, $893,000 unaudited).

Management has calculated volunteer time in the current year at 63,311 hours (unaudited). Because of the difficulty in determining the fair value of these services, they have not been recognized in these financial statements.

12. 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 $102,210 (2011, $80,095).

13. ALLOCATED EXPENDITURES

Included in the expenditures charged to the activities indicate below are the following allocations

	2012	2011
	$	$
Community Funded Programs		
Administrative salaries	**84,719**	55,366
Executive salaries and expenses	**199,276**	352,259
Fundraising salaries	**64,032**	88,523
Fundraising		
Administrative salaries	**4,439**	
Executive salaries	**47,514**	
Community funded program salaries	**8,950**	
Administration		
Executive salaries	**19,006**	
Fundraising salaries	**15,974**	
Facility and Technology		
Administrative salaries	**11,101**	
Executive salaries	**57,859**	