

**SILOAM MISSION INC.**

**WINNIPEG, MANITOBA**

**APRIL 30, 2013**

**SILOAM MISSION INC.**

**INDEX TO THE FINANCIAL STATEMENTS**

**APRIL 30, 2013**

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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, 2013, 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 accounting standards for not-for-profit organizations, 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, 2013, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Comparative Information*

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that Siloam Mission Inc. adopted Canadian accounting standards for not-for-profit organizations on May 1, 2012 with a transition date of May 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at April 30, 2012 and May 1, 2011 and the statements of operations, changes in net assets and cash flows for the year ended April 30, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.



Chambers Fraser

Winnipeg, Manitoba  
September 11, 2013

**Siloam Mission Inc.**

## Statement of Financial Position

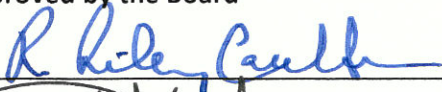
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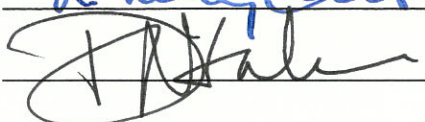
April 30, 2013, April 30, 2012 and May 1, 2011

	April 30, 2013	April 30, 2012	May 1, 2011
	\$	\$	\$
<b>Assets</b>			
Current assets:			
Cash and term deposit	1,252,469	325,736	455,654
Government service fees receivable	147,287	51,849	79,615
Government funding receivable		22,500	
GST rebate receivable	68,886	65,095	41,589
Other accounts receivable	25,000	15,045	29,241
Prepaid expense	1,181	5,158	10,218
	<u>1,494,823</u>	485,383	616,317
Fixed Assets - note 3	6,499,534	4,963,960	4,286,948
	<u>7,994,357</u>	5,449,343	4,903,265
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable and accrued liabilities	339,363	438,832	280,645
Government remittance payable			
Unearned service fees and deposits	6,229	20,604	26,341
Current portion of long-term debt	157,079	115,076	114,084
	<u>502,671</u>	574,512	421,070
Long-term liabilities - note 7	1,650,447	1,124,483	1,102,234
Forgivable loan payable - note 5	1,141,687	206,364	
Deferred contributions - note 8	1,970,906	1,959,738	1,947,654
Net Assets (Liabilities):			
Invested in fixed assets - note 9	1,579,415	1,558,299	1,132,977
Unrestricted	1,149,231	25,947	299,330
	<u>2,728,646</u>	1,584,246	1,432,307
	<u>7,994,357</u>	5,449,343	4,903,265

Commitments - note 5

Approved by the Board

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 11, 2013.

**Siloam Mission Inc.**

## Statement of Operations

Year Ended April 30, 2013 and 2012

	2013	2012
	\$	\$
Revenue		
Private donations	5,123,655	4,123,700
Private donations - contributed goods and fixed assets - note 11	336,954	258,652
Government funding	45,974	137,000
Foundation funding	75,698	149,611
Government fee for service	1,111,059	1,105,335
Rental revenue, sales and services	561,377	460,340
	<u>7,254,717</u>	<u>6,234,638</u>
Transferred to deferred contributions - capital - note 8	(110,500)	(124,000)
Amortization of deferred contributions - capital - note 8	99,332	101,916
Amortization of deferred contributions - operating - note 8		10,000
Gain (loss) on disposal of assets	617	(331)
Interest income and sundry	19,703	16,463
	<u>7,263,869</u>	<u>6,238,686</u>
Expenses		
Community funded programs	2,925,139	2,890,477
Government funded programs	1,122,033	1,208,335
Fundraising	730,468	758,599
Administration	416,216	372,310
Facility and technology	702,323	627,768
Amortization	223,290	229,258
	<u>6,119,469</u>	<u>6,086,747</u>
Net Revenue (Expenditures)	<u>1,144,400</u>	<u>151,939</u>

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 11, 2013.

## Statement of Changes in Net Assets

Year Ended April 30, 2013 and 2012

Asset	Invested In Fixed Assets \$	Unrestricted \$	2013 \$	2012 \$
Balance, beginning of year	1,558,299	25,947	<b>1,584,246</b>	1,432,307
Net revenue (expenditures) - note 9		1,144,400	<b>1,144,400</b>	151,939
Fixed asset investment (net) - note 9	21,116	(21,116)		-
Balance, end of year	1,579,415	1,149,231	<b>2,728,646</b>	1,584,246

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 11, 2013.

**Siloam Mission Inc.**

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## Statement of Cash Flows

Year Ended April 30, 2013 and 2012

	2013	2012
	\$	\$
Cash derived from (applied to):		
Operations:		
Net revenue (expenditures)	1,144,400	151,939
Items not affecting cash:		
Amortization of fixed assets	223,290	229,258
Amortization of deferred contributions	(99,332)	(111,916)
Receipt of deferred contributions	110,500	124,000
Gain on disposal of fixed assets	(2,373)	
Net change in non-cash working capital balances:		
Amounts receivable	(86,684)	(4,044)
Prepaid expenses	3,977	5,060
Amounts payable and accrued liabilities	(99,469)	158,187
Unearned service fees	(14,375)	(5,737)
	<u>1,179,934</u>	<u>546,747</u>
Financing:		
Forgivable loan proceeds	935,323	206,364
Increase (decrease) in long-term accounts payable	(29,358)	132,664
Loan proceeds	750,000	
Loan principal repayments	(152,675)	(109,423)
	<u>1,503,290</u>	<u>229,605</u>
Investing:		
Acquisition of fixed assets	(1,761,637)	(906,270)
Proceeds on disposal of fixed assets	5,146	
	<u>(1,756,491)</u>	<u>(906,270)</u>
Increase (decrease) in cash	926,733	(129,918)
Cash position - beginning of year	325,736	455,654
Cash position - end of year	<u>1,252,469</u>	<u>325,736</u>
Cash flows from interest:		
Interest paid – long-term debt	(56,650)	(39,201)
Other interest and bank charges	(43,286)	(34,750)
Interest received	8,116	4,110
	<u>(91,820)</u>	<u>(69,841)</u>

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 11, 2013.



**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. First time adoption of accounting standards for not-for profit organizations:**

During the year the company adopted Canadian accounting standards for not-for-profit organizations. These financial statements are the first prepared in accordance with these standards. The adoption of Canadian accounting standards for not-for-profit organizations had no impact on net assets as at May 1, 2011 or income and net assets or cash flows for the year ended April 30, 2012 as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles.

**3. 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.

Notes to the Financial Statements

April 30, 2013, April 30, 2012 and May 1, 2011

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**3. Significant accounting policies:**

**(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 4 over the expected useful life of the assets. Amortization is calculated on the diminishing balance basis.

## Notes to the Financial Statements

April 30, 2013, April 30, 2012 and May 1, 2011

**3. Significant accounting policies (continued):****(d) Measurement Uncertainty**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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.

**4. Fixed assets:**

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

April 30, 2013	Rate	Cost	Accumulated Amortization	Balance
		\$	\$	\$
Land		775,000		<b>775,000</b>
Construction in progress – note 5	4%	1,700,871		<b>1,700,871</b>
Buildings	4%	4,672,830	987,672	<b>3,685,158</b>
Equipment and furniture	20%	869,839	574,345	<b>295,494</b>
Vehicles	30%	84,770	41,759	<b>43,011</b>
		<b>8,103,310</b>	<b>1,603,776</b>	<b>6,499,534</b>
April 30, 2012	Rate	Cost	Accumulated Amortization	Balance
		\$	\$	\$
Land		475,000		475,000
Construction in progress – note 5	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
		<b>6,356,986</b>	<b>1,393,026</b>	<b>4,963,960</b>

These notes must be read in conjunction with the attached Independent Auditor's Report dated September 11, 2013.

## Notes to the Financial Statements

April 30, 2013, April 30, 2012 and May 1, 2011

**4. Fixed assets (continued):**

May 1, 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

**5. 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 \$1,750,000.

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 \$1,355,000.

Upon completion of the project, the loan is forgivable at a monthly rate of \$11,292 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.

**6. 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 7 (below). The line of credit balance was nil at year end (2012, 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 (2012, nil).

## Notes to the Financial Statements

April 30, 2013, April 30, 2012 and May 1, 2011

**7. Long-term liabilities:**

	April 30, 2013	April 30, 2012	May 1, 2011
	\$	\$	\$
Mortgage Payable Steinbach Credit Union (SCU) #2	<b>725,691</b>		
<i>The mortgage is repayable on demand with monthly instalments of \$5,645 including interest calculated at the credit union's standard rate plus 1.25%. The mortgage payable and credit line (note 4) are secured by an All-Obligations mortgage in the amount of \$750,000 creating a first charge on the property located at 303 Stanley Street, Winnipeg, Manitoba and a second charge general security agreement.</i>			
Mortgage Payable Steinbach Credit Union (SCU) #1	<b>571,548</b>	653,265	732,049
<i>The mortgage is repayable on demand with monthly instalments of \$8,600 including interest calculated at the credit union's standard rate plus 0.50%. The mortgage payable and credit line (note 4) are secured by an All-Obligations mortgage in the amount of \$1,088,750 creating a first charge on the property located at 300 Princess Street, Winnipeg, Manitoba and a second charge general security agreement.</i>			
Mortgage Payable Crosstown Civic Credit Union	<b>176,499</b>	184,127	191,450
<i>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.</i>			
Mortgage Payable Church of the Nazarene Canada #1	<b>109,721</b>	138,999	153,806
<i>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.</i>			
Loan Payable Church of Nazarene Canada #2	<b>120,761</b>	130,504	139,013
<i>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.</i>			
Total long-term debt	<b>1,704,220</b>	1,106,895	1,216,318
Long-term accounts payable	<b>103,306</b>	132,664	
Total long-term liabilities	<b>1,807,526</b>	1,239,559	1,216,318
Less: Current portion	<b>(157,079)</b>	(115,076)	(114,084)
	<b>1,650,447</b>	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:

Year	Amount
2014	157,079
2015	162,688
2106	168,502
2017	174,527
2018	180,722

These notes must be read in conjunction with the attached Independent Auditor's Report dated September 11, 2013.

## Notes to the Financial Statements

April 30, 2013, April 30, 2012 and May 1, 2011

**8. Deferred contributions – operating & capital:**

Deferred operating contributions represent funding related to expenses to be incurred in future periods. Deferred capital contributions 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:

April 30, 2013	Capital	Operating	Total
	\$	\$	\$
Beginning balance	1,959,738		1,959,738
Contributions received	110,500		110,500
Expenditure of previous years' operating contributions			
Amortized/transferred to revenue	(99,332)		(99,332)
	1,970,906	Nil	1,970,906

April 30, 2012	Capital	Operating	Total
	\$	\$	\$
Beginning balance	1,937,654	10,000	1,947,654
Contribution received but unexpended	124,000		124,000
Expenditure of previous years' operating contributions		(10,000)	(10,000)
Amortized/transferred to revenue	(101,916)		(101,916)
	1,959,738	Nil	1,959,738

May 1, 2011	Capital	Operating	Total
	\$	\$	\$
Beginning balance	1,809,634		1,809,634
Contribution received but unexpended	235,900	10,000	245,900
Expenditure of previous years' operating contributions			
Amortized/transferred to revenue	(107,880)		(107,880)
	1,937,654	10,000	1,947,654

## Notes to the Financial Statements

April 30, 2013, April 30, 2012 and May 1, 2011

**9. Net assets invested in fixed assets:**

	April 30, 2013	April 30, 2012	May 1, 2011
	\$	\$	\$
Balance - beginning of year	<b>1,558,299</b>	1,132,977	747,933
Net revenue (expenditure)			
Amortization of fixed assets	<b>(223,290)</b>	(229,258)	(232,864)
Amortization of deferred contributions	<b>99,332</b>	101,916	107,880
Capital contributions for land			229,292
Gain (loss) on disposal of fixed assets	<b>2,373</b>		(8,360)
	<b>(121,585)</b>	(127,342)	95,948
Investment in fixed assets			
Acquisition of fixed assets	<b>1,761,637</b>	906,269	640,494
Proceeds on disposal of fixed assets	<b>(5,146)</b>		(22,500)
Capital contributions – net of contributions for land	<b>(110,500)</b>	(124,000)	(235,900)
Capital contributions for land			(229,292)
Forgivable loan proceeds	<b>(935,323)</b>	(206,364)	
Decrease (Increase) in long-term liabilities	<b>(567,967)</b>	(23,241)	136,294
	<b>142,701</b>	552,664	289,096
	<b>1,579,415</b>	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 and 303 Stanley Streets, Winnipeg, Manitoba and, as indicated in note 7, Canada West has provided a promissory note as security for the mortgages payable to the Church of the Nazarene Canada.

## Notes to the Financial Statements

April 30, 2013, April 30, 2012 and May 1, 2011

**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 \$930,844 (unaudited) (2012, \$1,054,000 unaudited).

Management has calculated volunteer time in the current year at 77,588 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 \$105,749 (2012, \$102,210).

**13. Allocated expenditures:**

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

	2013	2012
Community Funded Programs	\$	\$
Administrative salaries	<b>78,522</b>	84,719
Executive salaries and expenses	<b>217,126</b>	199,276
Fundraising salaries	<b>68,111</b>	64,032
Fundraising		
Administrative salaries	<b>4,758</b>	4,439
Executive salaries	<b>50,885</b>	47,514
Community funded program salaries	<b>9,408</b>	8,950
Administration		
Executive salaries	<b>20,354</b>	19,006
Fundraising salaries	<b>17,989</b>	15,974
Facility and Technology		
Administrative salaries	<b>13,234</b>	11,101
Executive salaries	<b>60,645</b>	57,859