

**SILOAM MISSION INC.**

**WINNIPEG, MANITOBA**

**APRIL 30, 2014**

**SILOAM MISSION INC.**

**INDEX TO THE FINANCIAL STATEMENTS**

**APRIL 30, 2014**

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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, 2014, 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, 2014, 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.



Chambers Fraser

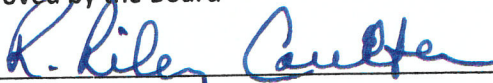
Winnipeg, Manitoba  
September 13, 2014

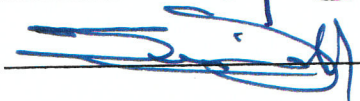
**Siloam Mission Inc.**  
Statement of Financial Position

April 30, 2014

	April 30, 2014	April 30, 2013
	\$	\$
<b>Assets</b>		
Current assets:		
Cash and term deposit	2,154,091	1,252,469
Government service fees receivable	102,573	147,287
Government funding receivable	41,925	
GST rebate receivable	61,568	68,886
Other accounts receivable	169,977	25,000
Prepaid expense	13,259	1,181
	<u>2,543,393</u>	<u>1,494,823</u>
Fixed Assets - note 3	7,254,636	6,499,534
	<u>9,798,029</u>	<u>7,994,357</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	481,362	339,363
Government remittance payable	5,286	
Unearned service fees and deposits	49,995	6,229
Current portion of long-term debt	146,326	157,079
	<u>682,969</u>	<u>502,671</u>
Long-term liabilities - note 6	1,120,042	1,650,447
Forgivable loan payable - note 4	1,355,000	1,141,687
Deferred contributions - note 7	2,285,198	1,970,906
Net Assets (Liabilities):		
Invested in fixed assets - note 8	2,348,070	1,579,415
Internally restricted - campus development - note 9	1,500,000	-
Unrestricted	506,750	1,149,231
	<u>4,354,820</u>	<u>2,728,646</u>
	<u>9,798,029</u>	<u>7,994,357</u>

Approved by the Board

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 13, 2014.

**Siloam Mission Inc.**

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## Statement of Operations

Year Ended April 30, 2014

	2014	2013
	\$	\$
Revenue		
Private donations	5,902,309	5,123,655
Private donations - contributed goods and fixed assets - note 11	397,555	336,954
Government funding	435,139	45,974
Foundation funding	130,431	75,698
Government fee for service	1,316,746	1,111,059
Rental revenue, sales and services	652,592	561,377
	<u>8,834,772</u>	<u>7,254,717</u>
Transferred to deferred contributions - capital - note 7	(450,139)	(110,500)
Amortization of deferred contributions - capital - note 7	135,847	99,332
Amortization of deferred contributions - operating - note 7	Nil	Nil
Gain (loss) on disposal of assets	(26,929)	617
Interest income and sundry	35,679	19,703
	<u>8,529,230</u>	<u>7,263,869</u>
Expenses		
Community funded programs	3,122,285	2,925,139
Government funded programs	1,316,746	1,122,033
Fundraising	785,447	730,468
Administration	428,225	416,216
Facility and technology	976,824	702,323
Amortization	273,529	223,290
	<u>6,903,056</u>	<u>6,119,469</u>
Net Revenue (Expenditures)	<u>1,626,174</u>	<u>1,144,400</u>

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 13, 2014.

## Statement of Changes in Net Assets

Year Ended April 30, 2014

Asset	Invested	Unrestricted	Internally	2014	2013
	In Fixed		Restricted-		
	Assets		Development		
	\$	\$	\$	\$	\$
Balance, beginning of year	1,579,415	1,149,231		<b>2,728,646</b>	1,584,246
Net revenue (expenditures)		1,626,174		<b>1,626,174</b>	1,144,400
Fixed asset investment (net) - note 8	768,655	(768,655)		-	-
Transfer - note 9		(1,500,000)	1,500,000	-	-
Balance, end of year	2,348,070	506,750	1,500,000	<b>4,354,820</b>	2,728,646

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 13, 2014.

**Siloam Mission Inc.**

## Statement of Cash Flows

Year Ended April 30, 2014

	2014	2013
	\$	\$
Cash derived from (applied to):		
Operations:		
Net revenue (expenditures)	1,626,174	1,144,400
Items not affecting cash:		
Amortization of fixed assets	273,529	223,290
Amortization of deferred contributions	(135,847)	(99,332)
Receipt of deferred contributions	450,139	110,500
Gain on disposal of fixed assets		(2,373)
Net change in non-cash working capital balances:		
Amounts receivable	(134,870)	(86,684)
Prepaid expenses	(12,078)	3,977
Amounts payable and accrued liabilities	147,285	(99,469)
Unearned service fees	43,766	(14,375)
	<u>2,258,098</u>	<u>1,179,934</u>
Financing:		
Forgivable loan proceeds	213,313	935,323
Increase (decrease) in long-term accounts payable	(103,306)	(29,358)
Loan proceeds		750,000
Loan principal repayments	(437,852)	(152,675)
	<u>(327,845)</u>	<u>1,503,290</u>
Investing:		
Acquisition of fixed assets	(1,028,631)	(1,761,637)
Proceeds on disposal of fixed assets		5,146
	<u>(1,028,631)</u>	<u>(1,756,491)</u>
Increase (decrease) in cash	901,622	926,733
Cash position - beginning of year	1,252,469	325,736
Cash position - end of year	<u>2,154,091</u>	<u>1,252,469</u>
Cash flows from interest:		
Interest paid – long-term debt	(59,622)	(56,650)
Other interest and bank charges	(34,392)	(43,286)
Interest received	20,294	8,116
	<u>(73,720)</u>	<u>(91,820)</u>

This statement must be read in conjunction with the attached Independent Auditor's Report dated September 13, 2014.



**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.

**2. 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 3 over the expected useful life of the assets. Amortization is calculated on the diminishing balance basis.

## Notes to the Financial Statements

April 30, 2014

**2. 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.

**3. Fixed assets:**

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

April 30, 2014	Rate	Cost	Accumulated Amortization	Balance
		\$	\$	\$
Land		855,000		855,000
Buildings	4%	7,308,198	1,187,787	6,120,411
Equipment and furniture	20%	883,974	634,857	249,117
Vehicles	30%	84,770	54,662	30,108
		9,131,942	1,877,306	7,254,636

April 30, 2013	Rate	Cost	Accumulated Amortization	Balance
		\$	\$	\$
Land		775,000		775,000
Buildings	4%	4,672,830	987,672	3,685,158
Equipment and furniture	20%	869,839	574,345	295,494
Vehicles	30%	84,770	41,759	43,011
		8,103,310	1,603,776	6,499,534

**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. The project was completed in 2014 at a total cost of \$1,709,439.

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. All loan funds available under the program had been advanced by April 30, 2014, totalling \$1,355,000.

The loan is forgivable at a monthly rate of \$9,410 over twelve years, commencing May 1, 2014, 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.

Subsequent to year end the organization accessed additional forgivable loan funding for the project under the MHRC Rent to Housing Improvement Program (RHIP) in the amount of \$121,606. The loan is forgivable at a monthly rate of \$676 over fifteen years subject to the conditions outlined above.

**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 (2013, 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 (2013, nil).

## Notes to the Financial Statements

April 30, 2014

**6. Long-term liabilities:**

	April 30, 2014	April 30, 2013
	\$	\$
Mortgage Payable Steinbach Credit Union (SCU) #2	<b>687,997</b>	725,691
<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 5) 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>486,962</b>	571,548
<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 5) 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	Nil	176,499
<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%. 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>91,409</b>	109,721
<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	Nil	120,761
<i>The loan is repayable in monthly instalments of \$1,017 including interest calculated at 2.75%. It is secured by a promissory note provided by the Canada West District Church of the Nazarene.</i>		
Total long-term debt	<b>1,266,368</b>	1,704,220
Long -term accounts payable	Nil	103,306
Total long-term liabilities	<b>1,266,368</b>	1,807,526
Less: Current portion	<b>(146,326)</b>	(157,079)
	<b>1,120,042</b>	1,650,447

The long-term accounts payable relate to construction in progress costs and were financed in 2013/14 through additional forgivable loan proceeds. The estimated principal repayments on long-term debt over the next 5 years are as follows:

Year	Amount
2015	146,326
2016	151,566
2017	156,997
2018	162,626
2019	162,722

These notes must be read in conjunction with the attached Independent Auditor's Report dated September 13, 2014.

## Notes to the Financial Statements

April 30, 2014

**7. 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, 2014	Capital	Operating	Total
	\$	\$	\$
Beginning balance	1,970,906	Nil	1,970,906
Contributions received	450,139		450,139
Expenditure of previous years' operating contributions		-	
Amortized/transferred to revenue	(135,847)		(135,847)
	2,285,198	Nil	2,285,198

April 30, 2013	Capital	Operating	Total
	\$	\$	\$
Beginning balance	1,959,738	Nil	1,959,738
Contribution received but unexpended	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

## Notes to the Financial Statements

April 30, 2014

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

	April 30, 2014	May 1, 2013
	\$	\$
Balance - beginning of year	1,579,415	1,558,299
Net revenue (expenditure)		
Amortization of fixed assets	(273,529)	(223,290)
Amortization of deferred contributions	135,847	99,332
Gain (loss) on disposal of fixed assets		2,373
	(137,682)	(121,585)
Investment in fixed assets		
Acquisition of fixed assets	1,028,631	1,761,637
Proceeds on disposal of fixed assets		(5,146)
Capital contributions	(450,139)	(110,500)
Forgivable loan proceeds	(213,313)	(935,323)
Decrease (Increase) in long-term liabilities	541,158	(567,967)
	906,337	142,701
	<b>2,348,070</b>	<b>1,579,415</b>

**9. Internally restricted net assets – Campus Development Initiative**

The organization has internally restricted \$1,500,000 for the purpose of its anticipated Campus Development Initiative.

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

## Notes to the Financial Statements

April 30, 2014

**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 \$933,299 (unaudited) (2013, \$930,844 unaudited).

Management has calculated volunteer time in the current year at 82,231 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 \$119,011 (2013, \$105,749).

**13. Allocated expenditures:**

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

	2014	2013
	\$	\$
Community Funded Programs		
Administrative salaries	94,685	78,522
Executive salaries and expenses	285,505	217,126
Fundraising salaries	71,075	68,111
Fundraising		
Administrative salaries	4,866	4,758
Executive salaries	52,907	50,885
Community funded program salaries	18,282	9,408
Administration		
Executive salaries	21,163	20,354
Fundraising salaries	19,787	17,989
Facility and Technology		
Administrative salaries	15,824	13,234
Executive salaries	62,871	60,645