

**SILOAM MISSION INC.**

**WINNIPEG, MANITOBA**

**APRIL 30, 2020**

**SILOAM MISSION INC.**

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## INDEPENDENT AUDITOR'S REPORT

To the Directors of  
**Siloam Mission Inc.**

### *Opinion*

We have audited the financial statements of Siloam Mission Inc., which comprise the statement of financial position as at April 30, 2020, and the statements of operations and changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at April 30, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT, continued

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT, continued**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Chambers Fraser*

Winnipeg, Manitoba  
September 10, 2020

**Chambers Fraser**  
Chartered Professional Accountants

## Statement of Financial Position

As at April 30

	Operating Fund	Capital Fund	2020 Total	2019 Total
	\$	\$	\$	\$
<b>Assets</b>				
Current assets:				
Cash and cash equivalent – note 2	3,648,473	1,626,032	5,274,505	3,316,655
Government service fees receivable	21,429	-	21,429	74,754
Government funding receivable	-	205,000	205,000	8,000
Accounts receivable	55,074	-	55,074	82,293
GST rebate receivable	108,365	-	108,365	191,339
Prepaid expense	53,297	-	53,297	50,827
	3,886,638	1,831,032	5,717,670	3,723,868
Capital assets – note 3	-	23,132,409	23,132,409	16,647,756
	3,886,638	24,963,441	28,850,079	20,371,624
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	760,980	1,563,827	2,324,807	1,861,929
Government remittance payable	161,124	-	161,124	94,784
Unearned program revenue – note 4	65,179	-	65,179	91,547
Mortgage payable	-	-	-	476,134
	987,283	1,563,827	2,551,110	2,524,394
Forgivable loans payable – note 5	-	5,647,134	5,647,134	868,158
	987,283	7,210,961	8,198,244	3,392,552
<b>Net Assets:</b>				
Invested in capital assets	-	17,752,480	17,752,480	15,303,907
Internally restricted – note 6	-	-	-	51,909
Unrestricted	2,899,355	-	2,899,355	1,623,256
	2,899,355	17,752,480	20,651,835	16,979,072
	3,886,638	24,963,441	28,850,079	20,371,624

Note 11 – Commitments

Approved by the Board

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Director

Director

## Statement of Operations

Year Ended April 30

	Operating Fund	Capital Fund	2020 Total	2019 Total
	\$	\$	\$	\$
Revenue				
Private donations	8,014,997	1,105,240	<b>9,120,237</b>	8,488,113
Private donations – contributed goods and capital assets – note 7	1,689,920	-	<b>1,689,920</b>	1,226,764
Government funding	2,000	-	<b>2,000</b>	32,000
Foundation funding	1,189,554	896,483	<b>2,086,037</b>	3,197,322
Government fee for service	1,057,509	-	<b>1,057,509</b>	1,059,290
Rental revenue, sales and services	665,906	-	<b>665,906</b>	670,886
Government loan forgiveness		121,024	<b>121,024</b>	121,023
Interest and sundry income	73,161	-	<b>73,161</b>	80,287
	12,693,047	2,122,747	<b>14,815,794</b>	14,875,685
Expenses – note 10				
Community funded programs	6,011,049	-	<b>6,011,049</b>	5,447,264
Government funded programs	1,059,509	-	<b>1,059,509</b>	1,071,290
Community education and awareness	345,923	-	<b>345,923</b>	408,258
Fundraising	970,077	169,665	<b>1,139,742</b>	1,436,973
Administration	1,118,824	135,754	<b>1,254,578</b>	1,147,152
Facilities and technology	890,352	-	<b>890,352</b>	949,565
Amortization	-	441,878	<b>441,878</b>	450,113
	10,395,734	747,297	<b>11,143,031</b>	10,910,615
	2,297,313	1,375,450	<b>3,672,763</b>	3,965,070

## Statement of Changes in Net Assets

Year Ended April 30

	<b>Operating Fund</b>	<b>Capital Fund</b>			<b>2020 Total</b>	2019 Total
	Un- Restricted	Internally Restricted	Externally Restricted	Invested in Capital Assets		
	\$	\$			\$	\$
Balance, beginning of the year	1,623,256	51,909	-	15,303,907	<b>16,979,072</b>	13,014,002
Net revenue (expenditures)	2,297,313	-	1,696,304	(320,854)	<b>3,672,763</b>	3,965,070
Transfers:						
Capital asset purchase	(545,080)	(51,909)	(1,696,304)	2,293,293	-	-
Debt service	(476,134)	-	-	476,134	-	-
	<u>1,276,099</u>	<u>(51,909)</u>	<u>-</u>	<u>2,448,573</u>	<b><u>3,672,763</u></b>	<u>3,965,070</u>
Balance, end of the year	2,899,355	-	-	17,752,480	<b>20,651,835</b>	16,979,072



**Siloam Mission Inc.**

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## Statement of Cash Flows

Year Ended April 30

	<b>2020</b>	2019
	<b>Total</b>	Total
	\$	\$
Cash derived from (applied to):		
Operations:		
Net revenue (expenditures)	<b>3,672,763</b>	3,965,070
Items not affecting cash:		
Amortization of capital assets	<b>441,878</b>	450,113
Loan forgiveness	<b>(121,024)</b>	(121,023)
Net change in non-cash working capital balances:		
Amounts receivable	<b>(33,482)</b>	462,636
Prepaid expenses	<b>(2,470)</b>	7,687
Amounts payable and accrued liabilities	<b>529,218</b>	374,107
Unearned program revenue	<b>(26,368)</b>	317
	<b>4,460,515</b>	5,138,907
Financing:		
Loan principal repayments	<b>(476,134)</b>	(147,400)
Forgivable loan proceeds	<b>4,900,000</b>	-
	<b>4,423,866</b>	(147,400)
Investing:		
Acquisition of capital assets	<b>(6,926,531)</b>	(5,217,295)
(Decrease)/Increase in cash	<b>1,957,850</b>	(225,788)
Cash position - beginning of year	<b>3,316,655</b>	3,542,443
Cash position - end of year	<b>5,274,505</b>	3,316,655
Cash flows from interest:		
Interest paid – long-term debt	<b>(9,182)</b>	(23,323)
Bank charges and processing fees	<b>(147,200)</b>	(123,418)
Interest received	<b>37,158</b>	45,198
	<b>(119,224)</b>	(101,543)

**1. Purpose and structure**

As a Christian humanitarian agency, Siloam Mission Inc. (“the Mission” or “the organization”) acts as a connecting point between the compassionate and Winnipeg’s less fortunate. The 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 Mission is a registered charity incorporated without share capital on August 24, 1987 under the laws of Manitoba and is exempt from tax under the Income Tax Act.

**2. Significant accounting policies**

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) contained in Part III of the CPA Canada Handbook and include the following significant accounting policies.

**(a) Cash and Cash Equivalents**

Cash includes balances with banks and short-term investments with original maturities of a year or less. Cash equivalents are readily convertible into a known amount of cash.

**(b) Fund Accounting**

The resources and operations of the Mission have been segregated for accounting purposes into the following funds:

*Operating Fund* – This fund accounts for the revenue and expenses related to the daily operations of the Mission including its program delivery and other operating expenses.

*Capital Fund* – This fund accounts for the Mission’s assets, liabilities, revenue and expenses related to the Mission’s capital assets. Inter-fund transfers represent the investment in capital assets funded by the Operating Fund.

**(c) Revenue Recognition**

The Mission follows the restricted fund method of reporting revenues. Restricted contributions related to general operations are recognized as revenue in the Operating Fund in the year in which the related expenses are incurred. Restricted contributions related to capital assets are recorded in the Capital Fund when received.

Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

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

Pledges receivable from donors, whether for operating or capital purposes, are not recognized until the pledge is honoured and funds received.

New contributed goods used in operations are recorded as both revenue and expense in the Operating Fund upon receipt, when the fair value of those goods is objectively determinable.

Contributed capital assets are recorded as revenue in the Capital Fund at fair market value at the date of contribution.

Used contributed goods and contributed services, including those provided by volunteers, are not recorded as revenue or expense.

**(d) 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, Community Education and Awareness, Fundraising, Administration and Facility and Technology. All capital asset amortization is charged to a single expense account.

The costs of each activity include the direct costs associated with that activity, including direct personnel costs and other direct expenses. In addition, Siloam incurs a number of costs that are either shared or indirect costs. These costs include expenditures related to multifunctional personnel as well as other costs that are not incurred exclusively for one specific activity. Multifunctional personnel costs are charged to the activity the employee is principally engaged in and then a portion is allocated to one or more other relevant activities based upon time spent (note 10 below). Other shared or indirect costs are initially charged to the main activity to which they relate and then a portion allocated to one or more other activities based the effort or benefit associated with each activity. Certain expenditures related to publications, communications and advertising are attributed to three core external functions of the Mission. These functions are fundraising, community education and awareness and volunteerism, which is part of Community Funded Programs.

*Community Funded Programs*

Programs aimed at addressing poverty and homelessness encompass services to patrons as well as volunteerism associated with those services. Patron services include the costs of providing basic and transformation services to those who come for help. Volunteerism includes costs associated with recruitment, screening, orientation, training and supporting volunteers in delivering services to patrons.

*Government Funded Programs*

The Mission 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.

*Community Education and Awareness*

Community education and awareness includes costs associated with informing and educating the public on issues of poverty and homelessness.

*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 all costs related to the human resources and accounting and finance functions as well as costs associated with governance, overall organizational management and compliance with regulatory bodies.

*Facilities and Technology*

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

*Amortization*

All capital asset amortization expense for the Mission is charged to this expenditure category.

**(e) Capital Assets**

Capital assets are recorded at cost and amortized over their estimated lives using the declining method applying the rates indicated in note 3. All development and construction costs directly related to buildings under construction are capitalized. Interest on specific and general debt related to assets under construction is not capitalized but recognized as an expense in the Capital Fund in the year incurred. During the current year, the Mission recognized interest expense of \$9,182 related to assets under construction (2019, \$23,323)

When a tangible capital asset no longer has any long-term service potential, the excess of its carrying amount over any residual value is recognized as an expense in the statement of operations.

**(f) Use of Estimates**

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 financial statement items. Actual results could differ from those estimates. Significant financial statement items that require the use of estimates for the Mission are the useful life and amortization of capital assets. These estimates are reviewed periodically, and adjustments are made, as appropriate, in the statement of operations in the year they become known.

**(g) Financial Instruments**

The Mission, as part of its operations, carries a number of financial instruments. The Mission initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets subsequently measured at amortized cost include cash and cash equivalent and amounts receivable. Financial liabilities measured at amortized cost include amounts payable.

It is management's opinion that the Mission is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

## Notes to the Financial Statements

April 30, 2020

**3. Capital assets**

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

<b>April 30, 2020</b>	<b>Rate</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Balance</b>
		\$	\$	\$
Land		871,400	-	<b>871,400</b>
Construction in progress		13,668,666	-	<b>13,668,666</b>
Buildings	4%	10,833,701	(2,802,153)	<b>8,031,548</b>
Equipment and furniture	20%	1,675,680	(1,121,366)	<b>554,314</b>
Vehicles	30%	62,905	(56,424)	<b>6,481</b>
		27,112,352	(3,979,943)	<b>23,132,409</b>

<b>April 30, 2019</b>	<b>Rate</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Balance</b>
		\$	\$	\$
Land		871,400	-	871,400
Construction in progress		7,135,369	-	7,135,369
Buildings	4%	10,562,299	(2,483,552)	8,078,747
Equipment and furniture	20%	1,553,848	(1,000,868)	552,980
Vehicles	30%	62,905	(53,645)	9,260
		20,185,821	(3,538,065)	16,647,756

Included in construction in progress are building costs of \$13,463,012 (2019 - \$7,021,201) related to the construction of the Buhler Centre and equipment costs of \$205,654 (2019 - \$114,168).

After year-end, the Mission completed the construction and the building and equipment were put into use.

**4. Unearned program revenue**

	<b>2020</b>	2019
	\$	\$
Balance – Beginning of the year	<b>91,547</b>	91,230
Designated program funds on hand and earned	<b>(26,368)</b>	(54,000)
Designated program funds received but unearned	-	54,317
Balance – End of the year	<b>65,179</b>	91,547

In addition, designated program funds of \$239,470 (2019, \$251,204) were received and earned during the year.

**5. Forgivable loans**

Madison Lodge was acquired by the Mission 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 sources of funding for this project were two forgivable loans from the Manitoba Housing and Renewal Corporation (“MHRC”) under the Rooming House – Residential Rehabilitation Assistance Program (“RRAP”) and the Rooming House - Rental Housing Improvement Program (“RHIP”).

During the year, the Mission entered into loan agreements with The Manitoba Housing and Renewal Corporation (“MHRC”) and Canada Mortgage and Housing Corporation (“CMHC”) to assist with the financing of the “Make Room” shelter expansion.

	Original loan	Forgiven in current year	2020 Unforgiven balance	2019 Unforgiven balance
	\$	\$	\$	\$
Madison Lodge – note 5(a)	1,355,000	112,917	<b>668,090</b>	781,007
Madison Lodge – note 5(b)	121,606	8,107	<b>79,044</b>	87,151
Make Room – note 5(c)	2,700,000	-	<b>2,700,000</b>	-
Make Room – note 5(d)	2,200,000	-	<b>2,200,000</b>	-
	<b>6,376,606</b>	<b>121,024</b>	<b>5,647,134</b>	<b>868,158</b>

- a. The RRAP 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 Mission are not breached. The loan bears no interest and is secured by a mortgage on land and building with a net book value of \$1,917,534 (2019 – 1,848,636).
- b. The RHIP loan is forgivable at a monthly rate of \$676 over 15 years, commencing March 1, 2016 with the same conditions, terms and security as the RRAP loan in note 5(a).
- c. The MHRC loan is forgivable in one hundred eighty (180) equal consecutive monthly instalments commencing on the first day of the month following satisfactory receipt of an unconditional occupancy permit. As of April 30, 2020, this permit has not yet been received. As long as the Mission continues to provide rent-free shelter beds to shelter occupants the loan will be forgiven to maturity. If the Mission is not able to carry out and manage the shelter the unearned forgivable loan, plus interest, will become due and payable. The loan is secured by a second mortgage on land and buildings having a net book value of \$20,041,094.
- d. The CMHC loan is forgivable annually over 20 years commencing on May 1, 2020. The loan has similar conditions, terms and security as the MHRC loan in note 5(c).

**6. Internally restricted assets – Campus Development Initiative**

During the years ending April 30, 2015 and 2016 the Mission internally restricted \$1,740,000 in operating surpluses for the purpose of funding its current Princess Street campus development initiative.

**7. Contributed goods and capital assets**

To sustain operations, the Mission receives large volumes of contributed goods. Goods contributed include a wide range of items, both new and used. Only a portion of goods contributed are eligible for the donor to receive an official charitable tax receipt, however the Mission does attempt to identify, value and record all contributed goods which can be reliably valued, whether eligible for an official tax receipt or not, and have included the fair value as revenue in the financial statement.

Contributed used clothing, footwear and household items, due to their inherent challenge in valuation, are not valued or recorded in these financial statements.

**8. Contributed services**

Integral to their operations, the Mission relies on a large volume of contributed services, mostly in the form of volunteer time. The estimated value of these services has not been recognized in these financial statements.

**9. Retirement plan**

Individuals employed by the Mission for more than three months are eligible to participate in a defined contribution registered pension plan. The Mission 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 \$197,830 (2019, \$179,374).

## Notes to the Financial Statements

April 30, 2020

**10. Allocated expenses**

Included in the expenditures charged to the Operating Fund activities indicated below are the following allocations:

	2020	2019
	\$	\$
Community and Government Funded Programs		
Executive and Administrative salaries	<b>101,765</b>	101,044
Fundraising salaries and expenses	<b>305,973</b>	356,188
Facilities and Technology salaries	<b>12,838</b>	12,393
Community Education and Awareness		
Executive and Administrative salaries	<b>16,455</b>	16,148
Fundraising salaries and expenses	<b>329,468</b>	392,110
Fundraising		
Executive and Administrative salaries	<b>86,696</b>	69,310
Administration		
Community Funded Program salaries	<b>30,991</b>	29,993
Fundraising salaries and expenses	<b>161,957</b>	150,953
Facilities and Technology		
Executive and Administrative salaries	<b>54,808</b>	54,598

**11. Commitments**

During 2017, the Mission commenced a multi-phase Princess Street campus facility expansion project. Phase one of the project was the redevelopment of their existing building, located adjacent to 300 Princess Street, at 303 Stanley Street, into an expanded kitchen, dining and drop-in facility. Redevelopment was completed at a cost of \$2,779,380 and utilization of the facility began in October 2017.

Upon completion of the 303 Stanley Street facility, the Mission commenced the second phase of the project, the construction of a two-story structure to link the 303 Stanley Street facility to the 300 Princess Street facility. To construct the link structure the Mission entered into guaranteed maximum price agreements totalling \$13,515,204 (plus GST) (2019, \$13,166,608 plus GST) and work commenced in November 2017.

As of April 30, 2020, Siloam has incurred expenditures of \$13,100,644 (plus GST) related to those agreements, leaving a remaining future commitment of \$414,560 (plus GST) which will be covered by private sector pledges and government funding commitments, to be received over the next three years.