Grant Thornton

Financial Statements

The Scott Mission

September 30, 2016

Contents

Independent Auditor's Report

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To the Board of Directors of
The Scott Mission

We have audited the accompanying financial statements of The Scott Mission, which comprise the statement of financial position as at September 30, 2016, the statements of revenue and expenses, changes in fund balances 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 statements

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 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Scott Mission as at September 30, 2016, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other matter

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The supplementary information on pages 15 and 16 is presented for purposes of additional information and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the financial statements taken as a whole.

Grant Thornton LLP

Toronto, Canada
December 8, 2016

Chartered Professional Accountants
Licensed Public Accountants

The Scott Mission
Statement of Financial Position
September 30

	Operating Fund	Reserve Fund	**Total 2016**	Total 2015
Assets				
Current				
Cash	$ 228,330	$ -	**$ 228,330**	$ 211,499
Accounts receivable	938,364	-	**938,364**	507,139
Prepaid expenses	43,909	-	**43,909**	59,330
Interfund receivable (payable) (Note 3)	1,387,987	(1,387,987)	**-**	-
	2,598,590	(1,387,987)	**1,210,603**	777,968
Investments, at market value (Note 4)	-	22,146,863	**22,146,863**	22,754,049
Property and equipment (Note 5)	7,662,588	-	**7,662,588**	4,894,799
	7,662,588	22,146,863	**29,809,451**	27,648,848
	$10,261,178	$ 20,758,876	**$ 31,020,054**	$ 28,426,816
Liabilities				
Current				
Accounts payable and accrued liabilities	$ 1,051,489	$ -	**$ 1,051,489**	$ 814,742
Post-retirement benefit plan liability (Note 6)	-	2,291,799	**2,291,799**	1,287,186
	1,051,489	2,291,799	**3,343,288**	2,101,928
Fund balances				
Property and equipment				
Invested in property and equipment	7,662,588	-	**7,662,588**	4,894,799
Internally restricted (Note 2)	-	-	**-**	2,600,000
Working capital – unrestricted	1,499,546	-	**1,499,546**	1,457,722
Post-retirement benefit plan deficit (Note 6)	-	(2,291,799)	**(2,291,799)**	(1,287,186)
Externally restricted	47,555	-	**47,555**	47,555
Internally restricted reserve funds (Note 2)	-	20,758,876	**20,758,876**	18,611,998
	9,209,689	18,467,077	**27,676,766**	26,324,888
	$10,261,178	$ 20,758,876	**$ 31,020,054**	$ 28,426,816

On behalf of the Board

Director

Director

See accompanying notes and schedules to the financial statements.

The Scott Mission
Statement of Revenue and Expenses
Year ended September 30

	Operating Fund	Reserve Fund	**Total 2016**	Total 2015
Revenue				
General contributions	$ 6,034,388	$ -	**$ 6,034,388**	$ 5,290,247
Donations in kind	4,209,750	-	**4,209,750**	2,781,249
Bequests	3,927,333	-	**3,927,333**	4,231,198
Grants	1,149,305	-	**1,149,305**	976,359
Fees from ministry to children and youth	702,520	-	**702,520**	622,841
Interest and miscellaneous income	7,914	-	**7,914**	56,688
	16,031,210	-	**16,031,210**	13,958,582
Expenses				
Ministry to homeless and elderly	5,764,771	-	**5,764,771**	4,448,917
Ministry to families	3,719,967	-	**3,719,967**	3,269,521
Ministry to children and youth	2,706,733	-	**2,706,733**	2,475,142
Fundraising	1,214,024	-	**1,214,024**	1,103,237
Administration and support ministry	922,687	-	**922,687**	841,715
Public awareness	695,395	-	**695,395**	609,843
	15,023,577	-	**15,023,577**	12,748,375
Excess of revenue over expenses before net investment income	1,007,633	-	**1,007,633**	1,210,207
Net appreciation on investments (Note 4)	-	1,592,813	**1,592,813**	1,355,085
Investment expenses	-	(69,725)	**(69,725)**	(72,357)
Net investment income	-	1,523,088	**1,523,088**	1,282,728
Excess of revenue over expenses	$ 1,007,633	$ 1,523,088	**$ 2,530,721**	$ 2,492,935

See accompanying notes and schedules to the financial statements.

The Scott Mission
Statement of Changes in Fund Balances
Year ended September 30

	Invested in Property and Equipment	Working Capital – Unrestricted	Externally Restricted	Reserve Fund – Internally Restricted	**Total 2016**	Total 2015
Fund balances, beginning of year	$ 7,494,799	$ 1,457,722	$ 47,555	$ 17,324,812	**$ 26,324,888**	$ 23,719,332
Excess of revenue over expenses	-	1,007,633	-	1,523,088	**2,530,721**	2,492,935
Pension benefit expenses (Note 6)	-	401,980	-	(401,980)	**-**	-
Pension remeasurements and other items (Note 6)	-	-	-	(1,178,843)	**(1,178,843)**	112,621
Amortization of property and equipment	(473,407)	473,407	-	-	**-**	-
Purchase of property and equipment	3,241,196	(3,241,196)	-	-	**-**	-
Internally restricted (Note 2)	(2,600,000)	2,600,000	-	-	**-**	-
Interfund transfers	-	(1,200,000)	-	1,200,000	**-**	-
Fund balances, end of year	$ 7,662,588	$ 1,499,546	$ 47,555	$ 18,467,077	**$ 27,676,766**	$ 26,324,888

See accompanying notes and schedules to the financial statements.

The Scott Mission
Statement of Cash Flows

Year ended September 30	2016	2015
Increase (decrease) in cash		
Operating		
Excess of revenue over expenses	$ 2,530,721	$ 2,492,935
Items not affecting cash		
Amortization of property and equipment	473,407	396,932
Pension benefit expenses	401,980	395,887
Unrealized capital losses (gains) (Note 4)	738,184	130,049
Net realized capital gains (Note 4)	(1,804,116)	(941,189)
	2,340,176	2,474,614
Change in non-cash working capital items		
Accounts receivable	(431,225)	44,665
Prepaid expenses	15,421	6,380
Accounts payable and accrued liabilities	236,747	282,124
	(179,057)	333,169
Employer contributions to funded pension plan (Note 6)	(576,210)	(392,343)
	1,584,909	2,415,440
Investing		
Withdrawal of investments (Note 4)	3,300,000	200,000
Purchase of investments (Note 4)	(1,100,000)	(1,700,000)
Investment income reinvested (Note 4)	(526,882)	(543,945)
Purchase of property and equipment	(3,241,196)	(394,737)
	(1,568,078)	(2,438,682)
Increase (decrease) in cash	16,831	(23,242)
Cash		
Beginning of year	211,499	234,741
End of year	$ 228,330	$ 211,499

See accompanying notes and schedules to the financial statements.

1. Purpose of the organization

The Scott Mission (the "Mission") is incorporated under The Companies Act of the Province of Ontario as a corporation without share capital and is a registered charity under the Income Tax Act. Accordingly, the Mission is exempt from income taxes.

The Mission serves Christ as Lord and Master in faith, putting the spirit of Christ into concrete, positive action through well-rounded spiritual and social services to men, women and children.

The allocation of resources has been presented as follows:

Ministry to homeless and elderly

The expenses of this ministry include daily hot meals, counselling, accommodation, and many other ministries to those on the street or alone.

Ministry to families

These expenses include the free clothing store, the food bank, and counselling.

Ministry to children and youth

The expenses of ministry to children and youth incorporates the daycare facility, summer camp at the Caledon location, midweek youth and children's clubs, and counselling.

Administration and support ministry

The expenses allocated to this ministry include management support, clerical and accounting support, and various professional fees.

Fundraising

The majority of fundraising expenses are to implement strategies to raise funds and acquire new donors.

Public awareness

These expenses represent the significant work of co-ordinating the ministry and of volunteers (individual and corporate), and the public relations and education functions of the Mission.

2. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The significant accounting policies selected by the Mission and applied in these financial statements are summarized below.

2. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Areas requiring the use of significant estimates include the estimated value of donations in kind recognized in revenue, the collectability of accounts receivable, the useful life of property and equipment, and measurement of the accrued benefit obligation and the annual pension expense relating to the Mission's post-retirement benefit plan. Actual results could differ from these estimates.

Fund accounting

The Mission uses fund accounting to present its financial statements whereby resources for particular purposes are classified for accounting and reporting purposes into one of the following funds.

Operating Fund

The Operating Fund includes the assets (including property and equipment), liabilities, revenue and expenses applicable to the general operations of all programs. The working capital – unrestricted fund balance finances these activities. The Mission maintains an unrestricted working capital fund balance to support its daily operations. The fund balance is maintained at a level sufficient to provide for the fluctuations in cash flow that occur throughout the annual cycle of donations and operations expenditures.

During the year, the Mission's internally restricted amount was used to acquire adjacent property (Note 5).

Reserve Fund

The Reserve Fund was established and is internally restricted to segregate funds needed for future capital and operating expenses and the post-retirement benefit plan.

The Board of Directors (the "Board") manages the fund on an ongoing basis with the primary objective of providing reasonable rates of return consistent with market opportunities for balanced risk appetite and high standards of investment quality while preserving capital.

With Board approval, amounts are periodically transferred from the Reserve Fund to the Operating Fund as needed to support the operations of the Mission within the approved operating budget, to provide funds for capital requirements, to cover unexpected contingencies and to invest in strategic initiatives in line with the Mission's goals. It is the opinion of the Board that the fund is managed in a prudent and responsible manner.

With God's provision and direction to enhance the Mission's transformational impact in the lives of those the Mission serves, the Board is considering various operational and capital initiatives. These long term transformative initiatives will be funded from current and future efforts as well as funds that have prudently been set aside for such a time and purpose.

2. Summary of significant accounting policies (continued)

Fund accounting (continued)

Externally Restricted Fund

The Externally Restricted Fund consists of a charitable remainder trust.

Interfund transfers

Transfers between the various funds are made when resources of one fund have been authorized to finance activities and acquisitions in another fund.

Revenue recognition

The Mission follows the restricted fund method of accounting for restricted contributions.

General contributions and bequests are recognized as revenue of the Operating Fund when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Donations in kind reflect food and clothing donated to the Mission and are recognized as revenue based on the number and estimated value of hot meals served in the fiscal year, food provided by the Food Bank, and clothing supplied to those in need.

Grant revenue is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Fees from ministry to children and youth are recognized in the period in which ministry programming is delivered.

Contributed goods and services

The Mission receives donated contributions of food, used clothing and other useable goods. Donated food and clothing are valued at estimated fair value at the time of their consumption.

Volunteers contribute many hours per year to assist the Mission in carrying out its service activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Property and equipment

Purchased property and equipment are recorded in the Operating Fund at cost less accumulated amortization. The Mission amortizes the cost of property and equipment on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	20 or 30 years
Furniture and equipment	5 years
Vehicles	3 years
Computers	3 years

2. Summary of significant accounting policies (continued)

Allocation of expenses

The Mission allocates general administrative expenses to ministry programs based on management's best estimate of actual time spent by employees towards the specific ministries (Note 7).

Post-retirement benefit plan

The Mission records pension plan costs each year based on the most recent actuarial valuation report prepared for accounting purposes including pension entitlements earned each year by the eligible employees.

Financial instruments

The Mission considers any contract creating a financial asset, liability, or equity instrument as a financial instrument, except in limited circumstances. The Mission's financial instruments comprise cash, accounts receivable, investments, and accounts payable.

Financial assets and liabilities obtained in arm's length transactions are initially recorded at their fair value. The Mission subsequently measures all of its financial assets and liabilities at amortized cost, except for investments which are measured at market value. Unrealized gains and losses on investments are recognized in the excess of revenue over expenses.

3. Interfund receivable (payable)

The Operating Fund has an interfund receivable from the Reserve Fund of $1,387,987 (2015 – $4,142,051) which is due on demand and bears no interest.

4. Investments, at market value

Investments in pooled funds are held as follows:

	2016 Market Value	2015 Market Value
Strowe Fund	**$ 116,398**	$ 107,895
Zeidman Family Memorial Fund	**416,877**	386,424
Reserve Fund	**21,613,588**	22,259,730
	$ 22,146,863	$ 22,754,049

The investments in pooled funds are managed under the authority of the Board to achieve the long-term objectives of the Mission and the funding requirements of the post-retirement benefit plan (Note 6). The value of the investments is subject to market fluctuations which can be significant.

4. Investments, at market value (continued)

The following additional information is available regarding the activity of the investments in pooled funds:

	2016	2015
Opening investments balance, at market value	**$ 22,754,049**	$ 19,898,964
Add:		
Investment income reinvested	**526,882**	543,945
Unrealized capital gains (losses)	**(738,184)**	(130,049)
Net realized capital gains	**1,804,116**	941,189
Net appreciation on investments	**1,592,813**	1,355,085
Investments balance, at market value	**24,346,863**	21,254,049
Add: New investments	**1,100,000**	1,700,000
Less: Net withdrawals	**(3,300,000)**	(200,000)
Ending investments balance, at market value	**$ 22,146,863**	$ 22,754,049

5. Property and equipment

	Cost	Accumulated Amortization	**2016 Net Book Value**	2015 Net Book Value
Property and equipment acquired before October 1, 1992	$ 1	$ -	**$ 1**	$ 1
Land	3,408,730	-	**3,408,730**	826,680
Buildings and improvements	5,306,197	1,618,402	**3,687,795**	3,677,577
Furniture and equipment	1,639,873	1,347,923	**291,950**	298,523
Vehicles	759,108	596,559	**162,549**	68,700
Computers	895,000	885,656	**9,344**	23,318
New property development	102,219	-	**102,219**	-
	$ 12,111,128	$ 4,448,540	**$ 7,662,588**	$ 4,894,799

Property and equipment acquired before October 1, 1992 are recorded at a nominal value as their cost is not reasonably determinable. During the year, the Mission acquired $3,216,088 of property and equipment (2015 - $394,737), a significant portion of which the purchase of an adjacent property, and in costs incurred for its future development. Amortization of the new property development costs will commence when the project is substantially complete.

6. Post-retirement benefit plan

The Mission maintains a defined benefit pension plan to provide retirement income to its eligible employees. The plan pays fixed monthly pension amounts to eligible retirees.

The pension plan holds a pool of investments to fund the future pension obligation. The annual funding contributions made by the Mission are shown below, with the total value of the investments shown as the fair value of plan assets.

The present value of the pension obligation is computed by an actuary using standard methodology employing a number of assumptions about future events including employee retirements and turnover, compensation and financial market conditions. The result of this computation is called the accrued benefit obligation, and is shown below along with the significant assumptions used.

The accrued benefit obligation currently exceeds the fair value of plan assets, resulting in a plan deficit. The funding contributions made by the Mission are at the rates recommended by the actuary which are in accordance with government regulations. The funding contributions are also approved by the Board.

The Mission measures the fair value of plan assets and its accrued benefit obligation for accounting purposes as at September 30 of each year. The most recently completed actuarial valuation was as at September 30, 2015.

	2016	2015
Fair value of plan assets	**$ 6,670,252**	$ 5,797,800
Accrued benefit obligation	**(8,962,051)**	(7,084,986)
Benefit plan funded status (deficit)	**$ (2,291,799)**	$ (1,287,186)

Continuity of the post-retirement benefit plan liability is as follows:

	2016	2015
Balance, beginning of year	**$ (1,287,186)**	$ (1,396,263)
Pension benefit expenses	**(401,980)**	(395,887)
Employer contributions	**576,210**	392,343
Remeasurements and other items	**(1,178,843)**	112,621
Balance, end of year	**$ (2,291,799)**	$ (1,287,186)

The significant actuarial assumptions adopted in measuring the accrued retiree benefit obligation are as follows:

	2016	2015
Discount rate	**3.35%**	4.25%
Expected long-term rate of return on plan assets	**3.35%**	4.25%
Rate of compensation increase	**2.00%**	2.00%

Portfolio investments held exclusively to fund the accrued retiree benefit plan are invested under the direction of professional managers over the long-term to meet both current and long-term benefit obligations. The managers incorporate an asset mix strategy which considers a number of factors intended to achieve the overall expected rate of return on plan assets of 3.35% (2015 – 4.25%).

6. Post-retirement benefit plan (continued)

The expense recognized for 2016 of $401,980 (2015 - $395,887) represents actuarially determined current service costs and interest, and is allocated in accordance with the information disclosed in Notes 2 and 7.

During the year benefits paid were $172,910 (2015 - $178,994).

Commencing on November 19, 2009, new employees were no longer eligible to join the defined benefit pension plan; instead, they are eligible to join a new defined contribution pension plan established by the Mission upon the first day of the pay period following the completion of two years of service. The Mission contributed $108,614 (2015 - $81,428) to the defined contribution pension plan during the year.

7. Allocation of administration expenses

During 2016, $1,464,002 (2015 - $1,372,262) in general administration expenses were allocated to various ministry programs based on management's estimate of actual resources utilized by each area as follows:

Ministry to homeless and elderly	33%
Ministry to families	27%
Ministry to children and youth	30%
Public awareness	10%

The allocation rates are unchanged from the prior year.

8. Wage subsidies grant

Toronto Children's Services Wage Subsidies are as follows:

	2016	2015
Wage subsidies received in the year	$ 54,912	$ 54,912
Wage subsidies spent and recognized as grant revenue (according to Day Nurseries Act, Regulation 262, Amended to O.Reg 277/98, Section 1)	(54,912)	(54,912)
Wage subsidies deferred to future years	$ -	$ -

9. Financial instruments

The Mission's main financial instrument exposure, which remains unchanged from the prior year, is detailed as follows:

Credit risk

Credit risk arises from the potential that accounts receivable are not paid. The Mission is exposed to credit risk relating to its amounts receivable as failure of any of these parties to fulfill their obligation could result in significant financial losses.

Liquidity risk

The Mission's liquidity risk represents the risk that the Mission could encounter difficulty in meeting obligations associated with financial liabilities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

Currency risk

Currency risk is the risk arising from the change in price of one currency against another. The Mission is exposed to currency risk through investments in pooled funds which are in foreign currencies.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Mission is exposed to interest rate risk on fixed income investments in pooled funds as the value of these investments will change with market fluctuations.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or other factors affecting all similar financial instruments traded in the market. The Mission is exposed to other price risk through its equity investments in pooled funds.

10. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2016 financial statements.

The Scott Mission
Schedule 1 – Statement of Revenue and Expenses for the Overnight Program
Year ended September 30

The following activity related to the City of Toronto Overnight Hostel program is included with revenue and expenses reported by the Mission for the year.

	2016	2015
Revenue		
Overnight grant	$ 1,073,708	$ 921,447
Expenses		
Salaries and benefits		
Salaries	640,011	565,061
Benefits	153,555	125,876
	793,566	690,937
Administration and operational		
Food services	96,540	48,165
Material and services	31,292	30,532
Resident personal needs and replacement	23,590	17,601
Other	17,021	17,450
Transportation and communications	3,851	4,927
	172,294	118,675
Property management / building		
Utilities	29,625	23,446
Building maintenance and services	22,200	19,607
Property management / building costs	5,209	4,653
	57,034	47,706
Total expenses	1,022,894	857,318
Excess of revenue over expenses before amortization of property and equipment	50,814	64,129
Amortization of property and equipment	(56,809)	(38,066)
Excess of revenue over expenses	$ (5,995)	$ 26,063

The Scott Mission
Schedule 2 – Statement of Revenue and Expenses for the Nursery Program
Year ended September 30

The following activity related to the City of Toronto Nursery program is included with revenue and expenses reported by the Mission for the year.

	2016	2015
Revenue		
Parent portion of fee subsidy	$ 430,939	$ 453,466
Parent fees	116,882	137,598
Wage subsidy	103,840	54,912
	651,661	645,976
Expenses		
Salaries	547,362	473,265
Benefits	134,688	102,522
Administration	20,178	23,244
	702,228	599,031
Rent	45,000	45,000
Food	43,733	36,712
Utilities and maintenance	43,674	31,675
Office	21,166	26,552
Programs	17,284	11,282
Training and development	6,542	5,602
Insurance	4,175	5,380
Cleaning and housekeeping	2,476	1,728
Business travel	1,783	1,825
Legal fees	1,275	1,271
Professional fees	1,054	6,199
	188,162	173,226
Total expenses	890,390	772,257
Deficiency of revenue over expenses	$ (238,729)	$ (126,281)