

**MISSION BON ACCUEIL /
WELCOME HALL MISSION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mission Bon Accueil /
Welcome Hall Mission

We have audited the accompanying financial statements of **Mission Bon Accueil / Welcome Hall Mission ("Mission")**, which comprise the statement of financial position as at September 30, 2018, and the statements of operations and 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 clause 8.3 of the Société d'habitation du Québec mortgage and operating agreements, 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 Mission'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 Mission'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.

INDEPENDENT AUDITOR'S REPORT (cont'd.)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Mission derives revenue from certain 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 Mission and we were not able to determine whether any adjustment might be necessary to donation revenues, excess of expenditures over revenues, assets, fund balances or cash flows.

Furthermore, in addition to being prepared in accordance with Canadian accounting standards for not-for-profit organizations, these financial statements have been prepared in accordance with clause 8.3 of the Société d'habitation du Québec mortgage and operating agreements which requires that any assets financed or subsidized under their mortgage and operating agreements be amortized on a straight-line basis over 40 years.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion Paragraph, the financial statements present fairly, in all material respects, the financial position of **Mission Bon Accueil / Welcome Hall Mission** as at September 30, 2018, the results of its operations and its cash flows and the changes in its net assets for the year then ended, are in accordance with Canadian accounting standards for not-for-profit organizations and clause 8.3 of the Société d'habitation du Québec mortgage and operating agreements.

Collins Barrow Montréal S.E.N.C.R.L. / LLP

Montréal, Québec
December 11, 2018

¹CPA auditor, CA, public accountancy permit No. A114452

**MISSION BON ACCUEIL /
WELCOME HALL MISSION
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018**

	2018	2017
ASSETS		
Current		
Cash (Note 3)	\$ 534,506	\$ 1,124,872
Marketable securities	443,743	186,000
Amounts receivable (Note 4)	168,261	120,719
Inventory (Note 5)	985,147	570,516
Prepaid expenses	89,150	85,363
Current portion of subsidy receivable (Note 6)	190,772	184,632
Property held for sale (Note 8)	275,000	-
	<u>2,686,579</u>	<u>2,272,102</u>
Subsidy receivable (Note 6)	130,696	321,468
Property and equipment (Note 7)	15,664,563	15,934,871
Restricted cash and marketable securities (Note 9)	1,803,043	2,624,000
	<u>\$ 20,284,881</u>	<u>\$ 21,152,441</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 10)	\$ 944,020	\$ 1,114,855
Current portion of capital lease obligation (Note 11)	30,810	-
Current portion of mortgages payable (Note 12)	413,317	378,414
Current portion of deferred revenue (Note 13)	272,966	697,187
	<u>1,661,113</u>	<u>2,190,456</u>
Capital lease obligation (Note 11)	121,374	-
Mortgages payable (Note 12)	5,988,289	5,912,854
Deferred revenue (Note 13)	3,125,934	3,291,745
	<u>10,896,710</u>	<u>11,395,055</u>
FUND BALANCES		
Restricted funds	875,271	1,698,974
Capital fund	8,501,791	8,544,357
General fund	11,109	(485,945)
	<u>9,388,171</u>	<u>9,757,386</u>
	<u>\$ 20,284,881</u>	<u>\$ 21,152,441</u>

APPROVED ON BEHALF OF THE BOARD:

 Member
 Member

See accompanying notes

**MISSION BON ACCUEIL /
WELCOME HALL MISSION
STATEMENT OF OPERATIONS AND FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Internally Restricted				Externally Restricted				Total
	General Fund	Capital Fund	Bequests	Cash Flow Contingency Fund	Residence Fund	Transitional Housing Fund	Bursary Fund	Residence Reserve Fund	Transitional Housing Reserve Fund
Revenues									
Individual donations	\$ 4,757,499								\$ 4,757,499
Corporate and other donations	1,470,431								1,514,360
Subsidies and government grants	2,542,347		43,928		218,729	45,590			2,806,666
Donated merchandise	10,244,287				203,054				10,447,341
La Boutique sales	253,819								253,819
Rent, service fees and subsidies	668,573				421,384	222,836			1,312,793
Interest and other	373,712				2,866	538			377,116
Fair value adjustment on marketable securities	8,712								8,712
	<u>20,319,381</u>		<u>43,928</u>		<u>846,033</u>	<u>268,964</u>			<u>21,478,307</u>
Expenditures									
Expenses (Note 15)	9,689,060				437,913	64,049			10,191,022
Merchandise distributed (Note 16)	10,269,170				238,932	2,161			10,510,263
Repairs and maintenance	234,858				24,221	6,226			265,305
Mortgage interest	91,162				55,363	81,190			227,715
Reserves					9,000	20,484			29,484
Amortization		430,644			116,687	95,885			643,216
	<u>20,284,250</u>	<u>430,644</u>			<u>882,116</u>	<u>269,996</u>			<u>21,867,005</u>
(Deficiency) excess of revenues over expenditures	35,132	(430,644)	43,928		(36,083)	(1,032)			(388,699)
Balances, beginning of year	(485,945)	8,544,357	174,768	2,105,096	(824,134)	19,451	10,000	164,155	49,637
									<u>9,757,386</u>
Interfund transfers/Other									
Capital repayments	(389,662)	389,662							
Acquisition of property and equipment (Note 7)	(210,988)	210,988							
Transfer of Residence amortization to the capital fund	116,687	(116,687)							
Transfer of Transitional Housing amortization to the capital fund	95,885	(95,885)							
Inter-fund transfer	850,000			(850,000)			(10,000)	9,000	20,484
Reserve allowances									29,484
	<u>461,922</u>	<u>388,078</u>		<u>(850,000)</u>			<u>(10,000)</u>	<u>9,000</u>	<u>20,484</u>
Balances, end of year	\$ 11,109	\$ 8,501,791	\$ 218,696	\$ 1,255,096	\$ (860,217)	\$ 18,419	\$	\$ 173,155	\$ 70,121
									<u>9,388,171</u>

See accompanying notes
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**MISSION BON ACCUEIL /
WELCOME HALL MISSION
STATEMENT OF OPERATIONS AND FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Internally Restricted				Externally Restricted					
	General Fund	Capital Fund	Bequests	Cash Flow Contingency Fund	Residence Fund	Transitional Housing Fund	Bursary Fund	Residence Reserve Fund	Transitional Housing Reserve Fund	Total
Revenues										
Individual donations	\$ 4,594,444	\$	\$ 170,839	\$	\$	\$	\$	\$	\$	\$ 4,594,444
Corporate and other donations	1,553,845				261,513					1,724,684
Subsidies and government grants	2,455,722				205,519	45,590				2,762,825
Donated merchandise	6,991,293									7,196,812
La Boutique sales	291,917				423,039	219,405				291,917
Rent, service fees and subsidies	653,961				1,353	51,218				1,296,405
Interest and other	146,829			45,924						199,400
Fair value adjustment on marketable securities	32,131		27,810							105,864
	16,720,142		198,649	45,924	891,424	316,213				18,172,351
Expenditures										
Expenses (Note 15)	9,627,530				527,138	62,040				10,216,708
Merchandise distributed (Note 16)	7,438,182				237,758	4,443				7,680,383
Repairs and maintenance	237,776				20,908	7,291				265,975
Mortgage interest	72,391				62,557	82,603				217,551
Reserves		424,636			9,000	17,294				26,294
Amortization	17,375,879	424,636			127,668	108,744				661,048
					985,029	282,415				19,067,959
(Deficiency) excess of revenues over expenditures	(655,737)	(424,636)	198,649	45,924	(93,605)	33,798				(895,607)
	(435,418)	8,474,203	1,076,119	2,059,172	(730,529)	(14,347)	10,000	155,155	32,343	10,626,700
Balances, beginning of year										
Interfund transfers/Other	(325,719)	325,719								
Capital repayments										
Acquisition of property and equipment (Note 7)	(405,483)	405,483								
Transfer of Residence amortization to the capital fund	127,668	(127,668)								
Transfer of Transitional Housing amortization to the capital fund	108,744	(108,744)								
Inter-fund transfer	1,100,000		(1,100,000)					9,000	17,294	26,294
Reserve allowances								9,000	17,294	26,294
	605,210	494,790	(1,100,000)							
Balances, end of year	\$ (485,945)	\$ 8,544,357	\$ 174,768	\$ 2,105,096	\$ (824,134)	\$ 19,451	\$ 10,000	\$ 164,155	\$ 49,637	\$ 9,757,386

See accompanying notes
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**MISSION BON ACCUEIL /
WELCOME HALL MISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	2018	2017
Operating activities		
Deficiency of revenues over expenditures for the year	\$ (388,699)	\$ (895,607)
Adjustments for		
Amortization	643,216	661,048
Non-cash donated merchandise	(10,447,341)	(7,196,812)
Non-cash cost of merchandise distributed	10,032,511	7,437,883
(Gain) loss on disposal of marketable securities	(158,662)	54,432
Fair value adjustment on marketable securities	(8,712)	(105,863)
Loss on sale of property and equipment	4,775	-
Non-cash inter-fund transfer	(10,000)	-
Contribution to reserve	29,484	26,294
Amortization of deferred revenue	(121,096)	(121,096)
	(424,524)	(139,721)
Net change in non-cash working capital items		
Increase in amounts receivable	(47,542)	(3,924)
Increase in prepaid expenses	(3,787)	(16,649)
Decrease in subsidy receivable	184,632	178,691
(Decrease) increase in accounts payable and accrued liabilities	(170,835)	350,172
Decrease in deferred revenue	(468,936)	(272,760)
Cash (used in) provided by operating activities	(930,992)	95,809
Investing activities		
Purchase of property held for sale	(275,000)	-
Purchases of property and equipment	(210,988)	(405,483)
Proceeds on disposal of property and equipment	350	-
Purchase of marketable securities	(804,780)	(787,056)
Proceeds on disposal of marketable securities	1,535,567	748,486
Cash provided by (used in) investing activities	245,149	(444,053)
Financing activities		
Repayment of capital lease	(14,861)	-
Repayment of mortgages payable	(389,662)	(325,719)
Issuance of mortgages payable	500,000	-
Cash provided by (used in) financing activities	95,477	(325,719)
Decrease in cash and cash equivalents	(590,366)	(673,963)
Cash and cash equivalents, beginning of year	1,124,872	1,798,835
Cash and cash equivalents, end of year	\$ 534,506	\$ 1,124,872

See accompanying notes

**MISSION BON ACCUEIL /
WELCOME HALL MISSION
NOTES TO THE FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2018**

1. Nature of the Mission and basis of presentation

Mission Bon Accueil / Welcome Hall Mission ("Mission") is a not-for-profit community service organization. It provides a variety of community services throughout Montréal and has a commitment to empower people in need by responding to their spiritual, emotional and physical needs.

Les Résidences Bon Accueil ("Residence") began operations in 2005 to provide individuals with low cost lodging units, situated within the Mission's main building, as part of the rehabilitation and social reintegration program for men suffering from drug, alcohol, gaming or other dependencies. A component of the initial funding and financing agreements requires that the program be managed as an independent unit. In November 2009, the Residence obtained certification as an approved rehabilitation center from the Québec government.

Les Logements de Transition Mission Bon Accueil ("Transitional Housing"), situated in a building owned by the Mission on Delinelle Street, began operations in 2014 to provide families with low cost lodging units.

The original incorporation of Welcome Hall Mission was granted on June 16, 1905 under the authority of Article 3097 of (1899) 62 Victoria C.32 titled: An Act to amend the law respecting mutual benefit associations and charitable associations. On August 18, 2009, the Mission was granted a continuance of its incorporation by letters patent of conversion under the Québec Corporation Act part III section 221. Under this continuance, the Mission amended its name from "La Mission Bon Accueil / Welcome Hall Mission" to "Mission Bon Accueil / Welcome Hall Mission". The Mission is a registered charity under the Income Tax Act and therefore exempt from income tax.

These financial statements combine the accounts and activities of the Mission, the Residence and the Transitional Housing. All income and expenses of these three divisions have been shown separately on the statement of operations and fund balances, and all assets and liabilities of the three divisions have been disclosed in the notes to the financial statements. Interdivision assets and liabilities have been offset.

**MISSION BON ACCUEIL /
WELCOME HALL MISSION
NOTES TO THE FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2018**

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook and clause 8.3 of the Société d'habitation du Québec ("SHQ") mortgage and operating agreements for the Residence and the Transitional Housing.

The significant accounting policies used are as follows:

(a) Measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period.

Estimates that management has made include the useful life of the property and equipment, the fair market value of goods in kind revenue, merchandise and the valuation of inventory. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(b) Financial instruments

(i) Measurement of financial instruments

The Mission initially measures its financial assets and liabilities at fair value.

The Mission subsequently measures its financial assets and financial liabilities at amortized cost, except for marketable securities which are measured at fair value. Changes in fair value are recognized in (deficiency) excess of revenues over expenditures.

Financial assets measured at amortized cost include cash and amounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, capital lease obligation and mortgages payable.

The Mission has elected to show all marketable securities at fair value.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in (deficiency) excess of revenues over expenditures.

**MISSION BON ACCUEIL /
WELCOME HALL MISSION
NOTES TO THE FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2018**

2. Significant accounting policies (cont'd.)

(c) Fund accounting

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

(i) Capital fund

The Capital fund records the subsidies, government grants and donations given to the Mission, the Residence and the Transitional Housing for the specific purpose of acquiring the assets recorded in property and equipment. Amortization related to the Residence and Transitional housing fund are reallocated to the capital fund from the general fund on an annual basis to reflect the actual net assets available to the Residence and the Transitional Housing. Expenditures in excess of these amounts are transferred to the Capital fund from the General fund as required. Additions to property and equipment are shown net of any related debt.

(ii) Bequests

The Bequest fund is increased by amounts willed, without restriction, to the Mission upon the death of a benefactor. The bequests are not considered operational revenues and are internally restricted to be utilized at the discretion of the board of directors. They are initially recorded in the bequest fund and are transferred to the general fund, at the discretion of the board of directors, to cover cash operating deficiencies, minor acquisitions of property and equipment and capital repayments, when required.

(iii) Cash flow contingency fund

The board of directors elected to set up a cash flow contingency fund to restrict a certain amount of funds to cover cash operating deficiencies. These funds will be transferred to/from the general fund at the discretion of the board.

(iv) Residence fund

The Residence derives income from various government and municipal grants and subsidies, rental income and expense recoveries from its tenants. The expenses are allocated based on actual expenditures where identifiable, otherwise on management's best estimate.

(v) Transitional Housing fund

The Transitional Housing fund derives income from various government grants and subsidies and from rental income. The expenses are allocated based on actual expenditures where identifiable, otherwise on management's best estimate.

(vi) Bursary fund

The Bursary fund was funded to assist the members and staff of the Mission and their families to pursue studies. The fund will be used at the discretion of the board.

**MISSION BON ACCUEIL /
WELCOME HALL MISSION
NOTES TO THE FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2018**

2. Significant accounting policies (cont'd.)

(c) Fund accounting (cont'd.)

(vii) Residence reserve fund

The SHQ requires the Residence to establish a reserve pool, to cover the cost of the future replacement of capital assets and certain expenses, through an annual allowance calculated per the guidelines set forth by the SHQ.

(viii) Transitional Housing reserve fund

The SHQ requires the Transitional Housing to establish a reserve pool, to cover the cost of the future replacement of capital assets and certain expenses, through an annual allowance calculated per the guidelines set forth by the SHQ.

(d) Cash, restricted cash and marketable securities

Cash and cash equivalents consist of deposits held in commercial banks, investment in money market funds and short-term investments with maturities of three months or less from the date of acquisition. Marketable securities consist of debt and equity instruments that are quoted in an active market. Cash and marketable securities that are restricted by the Mission pertaining to reserve funds, deferred revenues and cash held in trust are recorded as restricted cash and marketable securities.

**MISSION BON ACCUEIL /
WELCOME HALL MISSION
NOTES TO THE FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2018**

2. Significant accounting policies (cont'd.)

(e) Inventory

The Mission records all perishable food, non-perishable food and supplies that have been purchased or donated as inventory. Food and maintenance inventory is valued using the weighted average method, based on the following costing methodology, used to estimate the lower of cost and estimated replacement value:

- (i) Purchased merchandise is recorded at the purchase price.
- (i) Donated receipted merchandise is recorded at the receipted amount which approximates the wholesale value.
- (i) Donated non-receipted merchandise is recorded at the estimated average wholesale value of one pound of product, estimated at \$2.50 per pound or \$5.50 per kilogram, based on the research data compiled by The Nielsen Company and that used by Food Banks Canada.
- (i) Clothing inventory, non-receipted, is recorded at the estimated average wholesale value of one pound of product, at \$0.10 per pound or \$0.22 per kilogram.

Perishable and non-perishable food items and clothing are weighed upon receipt and subsequently allocated a cost based on the above policies. Liquid items are converted from a volume to weight basis and subsequently allocated a cost based on the same policies.

Donated inventory merchandise is recorded as donated merchandise in the period in which it is received.

Inventory that is subsequently distributed throughout the Mission's various programs or donated to other agencies is recognized as an expense in the year, under merchandise distributed.

**MISSION BON ACCUEIL /
WELCOME HALL MISSION
NOTES TO THE FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2018**

2. Significant accounting policies (cont'd.)

(f) Property and equipment

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at the fair market value at the date of contribution. The costs incurred in the maintenance of the property and equipment are expensed as incurred. The capitalized cost of the property and equipment includes all costs directly attributable to the acquisition, development and betterment of the asset to bring it to the condition necessary for its intended use. Amortization is provided on a straight-line basis over the asset's estimated useful life, which is as follows:

Furniture and equipment	5 years
Vehicles	4 - 8 years
Computer equipment	4 years

Amortization for the buildings and improvements is provided for on a 5% declining balance basis, with the exception of any buildings acquired with financial assistance from the SHQ. The SHQ guidelines require that any assets financed by them, which include the Residence and the Transitional Housing, be amortized on a straight-line basis over 40 years.

Property and equipment paid and amortization are reported in the capital fund.

(g) Property held for sale

The Mission classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through normal operations. To be able to classify as held for sale, the asset must be available for immediate sale in its present condition and the sale must be highly probable to occur within one year from the date of classification.

For the sale to be highly probable, management must be committed to a plan to sell the asset and it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. In addition, an active program to locate a buyer must be initiated and the asset must be actively marketed for sale at a reasonable price in relation to its current fair market value.

The asset is recorded at the lower of its carrying amount and fair value less costs to sell and depreciation on such asset.

**MISSION BON ACCUEIL /
WELCOME HALL MISSION
NOTES TO THE FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2018**

2. Significant accounting policies (cont'd.)

(h) Revenue recognition

(i) Restricted contributions and bequests

Restricted contributions and bequests are recognized as revenue of the appropriate fund in the year in which the contribution is received. If no fund exists, then these contributions are deferred until the funds have been disbursed as per the restriction. All other contributions are recognized as revenue of the General Fund in the year in which the contribution is received or receivable.

(ii) Subsidies and government grants

Subsidies and government grants are generally recognized as revenue in the year in which the funds are received. Where these funds are granted to offset the cost of specific property and equipment acquisitions or specific expenditures, and the receipt of these funds is certain, the grant or subsidy is accrued in order to obtain a proper matching with the acquisition or the expenditure.

(iii) Donated merchandise

Donated merchandise consists of perishable food, non-perishable food and maintenance products. The cost of all donated merchandise receipted and non-receipted is recorded according to the inventory costing policy as described in Note 2 (e). Contributed inventory items are recorded as donated merchandise in the period in which they are received.

(iv) Investment income

Investment income earned and expenditures incurred on the restricted funds are allocated to the appropriate fund on a specific or pro-rata basis, where appropriate.

(v) Rental revenue

Rental revenue is recognized over the terms of the related lease agreements on a straight-line basis. Recoveries from tenants are recognized as revenues in the period in which the applicable costs are incurred.

(vi) Sales revenue

The Mission operates a store in which they sell donated clothing and accessories. Revenue is recognized at the point of sale when the significant risks and rewards of ownership are transferred to the customer.

(vii) Goods in kind

The Mission receives various services from volunteers and professionals. Donation receipts are issued for items where a fair market value could be ascertained and a receipt has been requested. Only these items have been recorded in goods in kind.

**MISSION BON ACCUEIL /
WELCOME HALL MISSION
NOTES TO THE FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2018**

2. Significant accounting policies (cont'd.)

(i) Expenditures

Salaries, cost of merchandise distributed and services are allocated to the individual programs based on actual identifiable expenditures. Overhead and other shared expenses are allocated to the individual programs based on a pro-rata basis of total direct salaries and wages.

(j) Recognition of subsidy from the SHQ

The Mission receives subsidies from the SHQ in order to assist in the funding of affordable housing projects. The financial assistance provided can be in the form of a lump sum payment or a mortgage paid by the SHQ on behalf of the Mission.

Subsidies received as a lump sum payment are recorded as deferred revenue. Subsidies received in the form of a mortgage are initially recorded as a subsidy receivable equal to the amount of the mortgage assumed by the SHQ. This receivable is reduced over the life of the mortgage by the amount of capital repayments made by SHQ. Under both forms of financial assistance, the property and the deferred subsidy revenue are amortized on a straight line basis over 40 years, as required by their mortgage agreement.

As a requirement of this financing, the Mission is required to make a payment to the Fonds Québécois d'Habitation Communautaire (FQHC) out of the mortgage funds either at the commencement of the subsidy or on its 10th anniversary. This amount is netted against the deferred subsidy revenue described above, and amortized straight line into income over 40 years, as required by SHQ.

3. Cash

Included in cash is approximately \$146,000 (2017 - \$541,000) of short-term restricted funds which will be disbursed for their designated purposes prior to September 30, 2019 (Note 9).

4. Amounts receivable

	<u>2018</u>	<u>2017</u>
Commodity taxes receivable	\$ 23,946	\$ 30,752
Government subsidies receivable	112,700	57,415
Other	<u>31,615</u>	<u>32,552</u>
	<u>\$ 168,261</u>	<u>\$ 120,719</u>

Included in amounts receivable is approximately \$35,600 (2017 - \$31,000) pertaining to the Residence and \$700 (2017 - \$3,100) pertaining to the Transitional Housing.

**MISSION BON ACCUEIL /
WELCOME HALL MISSION
NOTES TO THE FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2018**

5. Inventory

	<u>2018</u>	<u>2017</u>
Food and supplies	\$ 865,054	\$ 498,123
Clothing	<u>120,093</u>	<u>72,393</u>
	<u>\$ 985,147</u>	<u>\$ 570,516</u>

6. Subsidy receivable

This amount represents the balance of the Residence mortgage, subsidized by the SHQ under the financial assistance program to provide low rental housing units. The monthly mortgage payments are being made directly by the SHQ, as described in Note 12.

7. Property and equipment

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
Land	\$ 2,786,477	\$ -	\$ 2,786,477	\$ 2,786,477
Buildings	18,426,719	5,851,583	12,575,136	12,993,265
Furniture and equipment	1,615,587	1,472,797	142,790	135,049
Vehicles	575,365	422,745	152,620	3,120
Computer equipment	<u>505,250</u>	<u>497,710</u>	<u>7,540</u>	<u>16,960</u>
	<u>\$ 23,909,398</u>	<u>\$ 8,244,835</u>	<u>\$ 15,664,563</u>	<u>\$ 15,934,871</u>

During the year, cash was paid for the following:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 109,910	\$ 355,032
Furniture and equipment	85,543	50,451
Vehicles	<u>15,535</u>	<u>-</u>
	<u>\$ 210,988</u>	<u>\$ 405,483</u>

Included in accumulated amortization is \$1,931,213 (2017 - \$1,727,162) pertaining to the assets acquired pursuant to an SHQ mortgage agreement.

Included in vehicles is a truck under capital lease, which has a cost of \$167,045 and a net book value of approximately \$150,000, as described in Note 11.

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8. Property held for sale

The land and building acquired in fiscal year 2018 located in Montreal-North has been classified as held for sale. The Board of Directors have elected to pursue the sale of the Montreal-North property and have engaged in an active program to locate a potential buyer. The Mission has entered into a lease on a larger property that will better accommodate an increased demand for its services.

9. Restricted cash and marketable securities

	<u>2018</u>	<u>2017</u>
Contingency reserve fund	\$ 1,255,000	\$ 2,105,000
Bequests	219,000	175,000
Bursary fund	-	10,000
Residence reserve fund	173,000	164,000
Transitional Housing reserve fund	70,000	50,000
Held on behalf of participants in the Mission's rehabilitation and reinsertion programs	6,000	3,000
Children's services and programs	-	347,000
Designated gifts - other	<u>226,000</u>	<u>311,000</u>
	1,949,000	3,165,000
Less current portion (Note 3)	<u>146,000</u>	<u>541,000</u>
	<u>\$ 1,803,000</u>	<u>\$ 2,624,000</u>

Restricted cash and marketable securities consists approximately of:

	<u>2018</u>	<u>2017</u>
Marketable securities	<u>\$ 1,803,000</u>	<u>\$ 2,624,000</u>

Long-term restricted cash consists of funds held in a bank account earning interest at variable rates, compounded daily. The interest is re-invested to the fund. Marketable securities with a fair value of approximately \$2,247,000 (2017 - \$2,810,000) have a cost base of approximately \$1,993,000 (2017 - \$2,565,000). Approximately \$1,803,000 (2017 - \$2,624,000) of the marketable securities are restricted.

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10. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are the following amounts:

	<u>2018</u>	<u>2017</u>
Payroll deductions at source	\$ 13,186	\$ 13,267
Accounts payable and accrued liabilities	<u>930,834</u>	<u>1,101,588</u>
	<u>\$ 944,020</u>	<u>\$ 1,114,855</u>

Included in accounts payable and accrued liabilities is approximately \$17,000 (2017 - \$19,000) pertaining to the Residence and \$2,300 (2017 - \$1,600) pertaining to the Transitional Housing.

11. Capital lease obligation

	<u>2018</u>	<u>2017</u>
Loan, of an original amount of \$167,045, maturing on March 4, 2023, bearing interest at 4.971% and repayable in blended monthly installments of \$3,150.	\$ 152,184	\$ -
Less current portion	<u>30,810</u>	<u>-</u>
Due beyond one year	<u>\$ 121,374</u>	<u>\$ -</u>

Estimated principal repayments are as follows:

2019	\$ 30,810
2020	32,376
2021	34,023
2022	35,753
2023	<u>19,222</u>
	<u>\$ 152,184</u>

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12. Mortgages payable

The Mission has a mortgage of an original amount of \$2,246,000 with Caisse Desjardins, maturing in September 2022 and bearing interest at 3.59% per annum, payable monthly. The mortgage is repayable in monthly installments of \$16,156, combining principal and interest. Included is an additional amount of \$500,000 maturing March 2023, bearing interest at 5.0% per annum, payable monthly. The mortgage is repayable in monthly installments of \$3,954, combining principal and interest. Both are secured by the Annexe building, the Notre-Dame Ouest land, its contents and the rental income. The building and land have an aggregate carrying value of approximately \$5,247,000. The bank's agreement contains a covenant which requires the Mission to maintain a minimum debt service coverage ratio of 1.25:1.00 on the Annexe building. As at September 30, 2018, the Mission is in compliance with this covenant.

	<u>2018</u>	<u>2017</u>
\$	2,619,569	\$ 2,246,001

The Transitional Housing has a mortgage of an original amount of \$2,206,777 with the National Bank of Canada, maturing in November 2023 and bearing interest at 4.047% per annum, payable monthly. The mortgage is repayable in monthly installments of \$10,552, combining principal and interest, and is secured by the Transitional Housing building. The building has an aggregate carrying value of approximately \$3,299,000.

2,213,533	2,253,222
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The Residence has a mortgage of an original amount of \$1,371,937 with the National Bank of Canada, maturing in May 2020, bearing interest at 3.298% per annum, payable monthly. The mortgage is repayable in monthly installments of \$6,704, combining principal and interest, and is secured by the De Courcelle building. The building has an aggregate carrying value of approximately \$2,932,000.

1,247,040	1,285,949
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The Residence has a mortgage of an original amount of \$2,237,125 with the National Bank of Canada, maturing in May 2020, bearing interest at 3.298% per annum, payable monthly. The mortgage is repayable in monthly installments of \$16,538, combining principal and interest.

<u>321,464</u>	<u>506,096</u>
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6,401,606	6,291,268
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Less current portion

<u>413,317</u>	<u>378,414</u>
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Due beyond one year

<u>\$ 5,988,289</u>	<u>\$ 5,912,854</u>
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12. Mortgages payable (cont'd.)

Estimated principal repayments are as follows:

2019	\$ 413,317
2020	1,525,913
2021	195,992
2022	203,706
2023	1,686,133
Subsequent years	<u>2,376,545</u>
	<u>\$ 6,401,606</u>

13. Deferred revenue

	<u>2018</u>	<u>2017</u>
Provincial subsidy, under the AccèsLogis program of the SHQ, which provides that the Residence mortgage, of an original amount of \$2,237,125, be repaid directly by the SHQ at the rate of approximately \$16,538 a month.	\$ 1,486,756	\$ 1,542,684
Municipal subsidy of an original amount of \$726,338 to offset the cost of the Residence.	336,537	365,590
Provincial subsidy, under the AccèsLogis program of the SHQ, of \$1,500,200 to offset the cost of the Transitional Housing.	1,312,675	1,350,180
Municipal subsidy of an original amount of \$504,150 to offset the cost of the Transitional Housing.	441,132	453,735
Deferred Contribution FQHC - Residence.	(251,901)	(261,377)
Deferred Contribution FQHC - Transitional Housing.	(158,169)	(162,688)
Donation of an original amount of \$1,000,000 from la Fondation Marcelle et Jean Coutu designated for children's services and programs. During the year, approximately \$347,000 (2017 - \$281,000) was used for these services and programs.	-	346,716
Deferred revenue - Designated gifts (other)	151,870	254,092
Prepaid rent revenue	<u>80,000</u>	<u>100,000</u>
	<u>3,398,900</u>	<u>3,988,932</u>
Less current portion	<u>272,966</u>	<u>697,187</u>
Deferred revenue	<u>\$ 3,125,934</u>	<u>\$ 3,291,745</u>

Prepaid rent revenue will be amortized on a straight-line basis over the 5-year lease agreement commencing September 2018.

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14. Expense recovery

During the year, the Mission paid for several expenditures on behalf of the Residence and the Transitional Housing, which have been billed to the Residence and Transitional Housing and are included in the appropriate expense account for the Residence and the Transitional Housing. Any amounts owing at the year end have been included in amounts receivable and accounts payable.

15. Expenses

Overhead and other shared expenses are allocated to the individual programs based on a pro-rata basis of total direct salaries and wages. Management and general expenditures recorded in the books of the Mission, including operations, human resources, administration and development costs, information technology, fundraising and facilities, have been allocated to the following programs:

	<u>2018</u>	<u>2017</u>
Men's Mission	\$ 3,484,652	\$ 3,510,880
Food Security and Family Services	1,096,007	916,660
Youth Outreach Services	1,170,948	1,233,381
Children's Services	1,342,920	1,379,520
Education and employability	259,727	376,994
Social Economy	677,694	778,527
Residence	431,137	471,704
Health and Dental Clinic	437,295	619,751
Transitional Housing	61,909	62,040
Meal Services	<u>1,228,733</u>	<u>867,251</u>
	<u>\$ 10,191,022</u>	<u>\$ 10,216,708</u>

Included in these expenses are investment management fees, interest, bank charges and credit card charges of \$93,066 (2017 - \$87,654).

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16. Merchandise distributed

	<u>2018</u>	<u>2017</u>
Opening inventory	\$ 570,516	\$ 811,587
Donated merchandise	10,447,341	7,196,812
Purchases	<u>477,553</u>	<u>242,500</u>
	11,495,410	8,250,899
Ending inventory	<u>(985,147)</u>	<u>(570,516)</u>
	<u>\$ 10,510,263</u>	<u>\$ 7,680,383</u>

Merchandise was distributed during the year as follows:

	<u>2018</u>	<u>2017</u>
Food Security and Family Services	\$ 7,481,654	\$ 5,196,647
Men's Mission	874,612	699,774
Youth Outreach Services	128,321	208,163
Residence	243,379	237,758
Children's Services, Operations and Social Economy	42,291	91,751
Operations	11,451	27,281
La Boutique	151,930	222,361
Administration	<u>11,655</u>	<u>31,586</u>
	8,945,293	6,715,321
Donations to other agencies	<u>1,564,970</u>	<u>965,062</u>
	<u>\$ 10,510,263</u>	<u>\$ 7,680,383</u>

17. Life insurance policies

- (a) The Mission is holding a \$127,718 fully paid up life insurance policy on an individual. This donation will be recorded as revenue when the proceeds are received.
- (b) The Mission is holding a \$50,000 life insurance policy on a member of the board. The monthly premium payments are expensed in the year. As at September 30, 2018, the policy had no cash surrender value. This donation will be recorded in the bequests fund when the proceeds are received.

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18. Concentration of risk

The Mission is financially supported through various government and municipal subsidies, and donations and goods in kind from various Montréal donors. Management mitigates this risk through its cash flow contingency fund.

Revenues where there could be a concentration risk exposure is as follows:

	<u>2018</u>	<u>2017</u>
Moisson Montréal - donated food merchandise	\$ 6,606,039	\$ 3,252,273
Federal subsidies and grants	459,577	396,174
Provincial subsidy - "Programme de Soutien aux Organismes Communautaires (PSOC)"	1,861,205	1,852,783
Provincial subsidies and grants - other	281,830	297,315
Municipal subsidies and grants	204,054	216,554

19. Financial instruments risks and uncertainties

Financial instruments consist of recorded amounts of cash and cash equivalents, receivables and short-term investments which will result in future cash receipts, as well as accounts payable and accrued liabilities, bank loans and mortgages payable which will result in future cash outlays.

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Mission is exposed to currency risk as a result of cash and marketable securities denominated in U.S. dollars. As at September 30, 2018, the carrying value of financial instruments denominated in U.S. dollars (reported in Canadian dollars) is summarized below:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 4,444	\$ 70,003
Marketable securities	536,942	796,765

(b) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. The Mission is exposed to market risk as a result of its investments in marketable securities which comprise investments in equity and fixed income instruments that are traded in a public market. As at September 30, 2018, the fair value of marketable securities exceeds the cost by approximately \$254,000 (2017 - \$245,000).

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19. Financial instruments (cont'd.)

(c) Interest rate risk

The Mission is exposed to interest rate risk. Interest rate risk is the risk that the Mission has interest rate exposure on its fixed rate mortgages. This exposure may have an effect on its earnings in future periods if interest rates decrease. The Mission manages its exposure to interest rate risk through careful monitoring of its cash flows, and, in its opinion, this risk is not material.

(d) Economic risk

As the Mission derives a significant portion of its revenues from individual and corporate donations, it is exposed to economic conditions during the year. This exposure can have an effect on the amount of donations received, as the amount of disposable income of the donor changes.

20. Commitments

During the year, the Mission signed a lease agreement to lease a building in Montreal-North, effective November 2018 for a term of five years.

Estimated minimum lease payments are as follows:

2019	\$	30,000
2020		33,000
2021		36,000
2022		39,000
2023		<u>42,000</u>
	\$	<u>180,000</u>

21. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.