bakertilly

MISSION BON ACCUEIL / WELCOME HALL MISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

CONTENTS

Baker Tilly Montréal S.E.N.C.R.L. / LLP
606, rue Cathcart, Bureau 200
Montréal, QC
Canada H3B 1K9

Tél: 514.866.8553
Téléc: 514.866.8469

montréal@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion
We have audited the financial statements of **Mission Bon Accueil / Welcome Hall Mission ("Mission")**, which comprise the statement of financial position as at September 30, 2019, and the statements of operations and fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of **Mission Bon Accueil / Welcome Hall Mission ("Mission")** as at September 30, 2019 and the results of its operations for the year then ended 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.

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, verification of these revenues was limited to the amounts recorded in the records of the Mission. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended September 30, 2019 and 2018. Our audit opinion on the financial statements for the year ended September 30, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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.

INDEPENDENT AUDITOR'S REPORT (cont'd.)

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 Mission 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 Mission'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 Mission or to cease operations, or has no realistic alternative but to do so.

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

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.

INDEPENDENT AUDITOR'S REPORT (cont'd.)

- 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 Mission'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 Mission'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 Mission 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.

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.

Baker Tilly Montréal S.E.N.C.R.L./LLP [1]

Montréal, Québec
December 10, 2019

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

bakertilly

MISSION BON ACCUEIL / WELCOME HALL MISSION
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

	2019	2018
ASSETS		
Current		
Cash (Note 3)	$ **565,449**	$ 534,506
Marketable securities	**406,375**	443,743
Amounts receivable(Note 9) (Note 4)	**1,378,896**	168,261
Inventory (Note 5)	**825,727**	985,147
Prepaid expenses	**101,197**	89,150
Current portion of subsidy receivable (Note 6)	**130,696**	190,772
Property held for sale (Note 8)	**275,000**	275,000
	3,683,340	2,686,579
Subsidy receivable (Note 6)	**-**	130,696
Property and equipment (Note 7)	**15,414,966**	15,664,563
Restricted cash and marketable securities (Note 9)	**2,007,337**	1,803,043
	$ **21,105,643**	$ 20,284,881
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 10)	$ **883,669**	$ 944,020
Current portion of capital lease obligations (Note 11)	**94,155**	30,810
Current portion of mortgages payable (Note 12)	**399,620**	413,317
Current portion of deferred revenue (Note 13)	**342,453**	272,966
	1,719,897	1,661,113
Capital lease obligations (Note 11)	**345,908**	121,374
Mortgages payable (Note 12)	**5,589,105**	5,988,289
Deferred revenue (Note 13)	**2,984,838**	3,125,934
	10,639,748	10,896,710
FUND BALANCES		
Restricted funds	**1,836,133**	875,271
Capital fund	**8,454,438**	8,501,791
General fund	**175,324**	11,109
	10,465,895	9,388,171
	$ **21,105,643**	$ 20,284,881

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, 2019

			Internally Restricted		Externally Restricted				
	General Fund	Capital Fund	Bequests	Cash Flow Contingency Fund	Residence Fund	Transitional Housing Fund	Residence Reserve Fund	Transitional Housing Reserve Fund	Total
Revenues									
Individual donations	$ 4,920,726	$	$	$	$	$	$	$	$ 4,920,726
Corporate and other donations	1,192,856	75,000	208,173						1,476,029
Subsidies and government grants	2,956,299				257,521	45,590			3,259,410
Donated merchandise	10,267,585				176,048				10,443,632
La Boutique sales	286,955								286,955
Rent, service fees and subsidies	730,845				325,635	223,211			1,279,691
Interest and other	316,374	(7,740)			2,442	959			312,035
Fair value adjustment on marketable securities	120,792								120,792
Gain on sale of building (Note 7)	1,200,000	(161,887)							1,038,113
	21,992,432	(94,627)	208,173		761,646	269,760			23,137,383
Expenditures									
Expenses (Note 15)	9,361,261				564,311	66,425			9,991,997
Merchandise distributed (Note 16)	10,679,239				201,620	2,137			10,882,996
Repairs and maintenance	184,802				29,591	7,974			222,367
Mortgage interest	98,368				47,930	86,713			233,011
Reserves					9,000	6,129			15,129
Amortization		522,274			112,206	94,808			729,288
	20,323,670	522,274			964,658	264,186			22,074,788
Excess (deficiency) of revenues over expenditures	1,668,762	(616,901)	208,173		(203,012)	5,574			1,062,594
Balances, beginning of year	11,109	8,501,791	218,696	1,255,096	(860,217)	18,419	173,155	70,121	9,388,171
Interfund transfers/Other									
Capital repayments	(491,082)	491,082							
Acquisition of property and equipment (Note 7)	(285,480)	285,480							
Transfer of Residence amortization to the capital fund	112,206	(112,206)							
Transfer of Transitional Housing amortization to the capital fund	94,808	(94,808)							
Inter-fund transfer	(935,000)			935,000					
Reserve allowances							9,000	6,129	15,129
	(1,504,548)	569,548		935,000			9,000	6,129	15,129
Balances, end of year	$ 175,324	$ 8,454,438	$ 426,869	$ 2,190,096	$ (1,063,229)	$ 23,993	$ 182,155	$ 76,250	$ 10,465,895

See accompanying notes

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

	General Fund	Capital Fund	Internally Restricted: Bequests	Internally Restricted: Cash Flow Contingency Fund	Externally Restricted: Residence Fund	Externally Restricted: Transitional Housing Fund	Externally Restricted: Bursary Fund	Externally Restricted: Residence Reserve Fund	Externally Restricted: Transitional Housing Reserve Fund	Total
Revenues										
Individual donations	$ 4,757,499	$	$	$	$	$	$	$	$	$ 4,757,499
Corporate and other donations	1,470,431		43,928							1,514,360
Subsidies and government grants	2,542,347				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
	20,319,381		43,928		846,033	268,964				21,478,307
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
	20,284,250	430,644			882,116	269,996				21,867,005
Excess (deficiency) 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	9,757,386
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)			(10,000)
Reserve allowances								9,000	20,484	29,484
	461,922	388,078		(850,000)			(10,000)	9,000	20,484	19,484
Balances, end of year	$ 11,109	$ 8,501,791	$ 218,696	$ 1,255,096	$ (860,217)	$ 18,419	$	$ 173,155	$ 70,121	$ 9,388,171

See accompanying notes

MISSION BON ACCUEIL / WELCOME HALL MISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019	2018
Operating activities		
Excess (deficiency) of revenues over expenditures for the year	**$ 1,062,594**	$ (388,699)
Adjustments for		
Amortization	**729,288**	643,216
Non-cash donated merchandise	**(10,443,632)**	(10,447,341)
Non-cash cost of merchandise distributed	**10,566,343**	10,032,511
Gain on disposal of marketable securities	**(8,289)**	(158,662)
Fair value adjustment on marketable securities	**(120,792)**	(8,712)
(Gain) loss on sale of property and equipment	**(1,030,373)**	4,775
Non-cash inter-fund transfer	**-**	(10,000)
Contribution to reserve	**15,129**	29,484
Amortization of deferred revenue	**(121,096)**	(121,096)
	649,172	(424,524)
Net change in non-cash working capital items		
Increase in amounts receivable	**(1,210,635)**	(47,542)
Decrease (increase) in prepaid expenses	**12,047**	(3,787)
Decrease in subsidy receivable	**190,772**	184,632
Decrease in accounts payable and accrued liabilities	**(60,354)**	(170,835)
Increase (decrease) in deferred revenue	**49,487**	(468,936)
Cash used in operating activities	**(369,511)**	(930,992)
Investing activities		
Purchase of property held for sale	**-**	(275,000)
Purchases of property and equipment	**(285,480)**	(210,988)
Proceeds on disposal of property and equipment	**1,200,000**	350
Purchase of marketable securities	**(691,734)**	(804,780)
Proceeds on disposal of marketable securities	**653,889**	1,535,567
Cash provided by investing activities	**876,675**	245,149
Financing activities		
Repayment of capital lease obligations	**(63,340)**	(14,861)
Repayment of mortgages payable	**(412,881)**	(389,662)
Issuance of mortgages payable	**-**	500,000
Cash (used in) provided by financing activities	**(476,221)**	95,477
Increase (decrease) in cash and cash equivalents	**30,943**	(590,366)
Cash and cash equivalents, beginning of year	**534,506**	1,124,872
Cash and cash equivalents, end of year	**$ 565,449**	$ 534,506

See accompanying notes

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.

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 excess (deficiency) 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 excess (deficiency) of revenues over expenditures.

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) 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.

2. Significant accounting policies (cont'd.)

(c) Fund accounting (cont'd.)

(vii) 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.

(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 $2.60 per pound or $5.70 per kilogram, based on the research data compiled by The Nielsen Company and that used by Food Banks Canada for 2019.

(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.

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 of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

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.

(h) Capital lease obligations

Leases which transfer substantially all of the benefits and risks of ownership of the property to the Mission are treated as an acquisition of an asset and the incurrence of an obligation.

2. Significant accounting policies (cont'd.)

(i) 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.

2. Significant accounting policies (cont'd.)

(j) **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.

(k) **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 $220,000 (2018 - $146,000) of short-term restricted funds which will be disbursed for their designated purposes prior to September 30, 2020 (Note 9).

4. Amounts receivable

	2019	2018
Commodity taxes receivable	$ 41,282	$ 23,946
Government subsidies receivable	60,921	112,700
Receivable on sale of building (Note 7)	1,200,000	-
Other	76,693	31,615
	$ 1,378,896	$ 168,261

Included in amounts receivable is approximately $25,500 (2018 - $35,600) pertaining to the Residence and $5,000 (2018 - $700) pertaining to the Transitional Housing.

5. Inventory

	2019	2018
Food and supplies	$ 643,863	$ 865,054
Clothing	181,864	120,093
	$ 825,727	$ 985,147

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

	2019			2018
	Cost	Accumulated amortization	Net	Net
Land	$ 2,786,477	$ -	$ 2,786,477	$ 2,786,477
Buildings	18,049,140	6,150,544	11,898,596	12,575,136
Furniture and equipment	1,514,331	1,420,945	93,386	142,790
Vehicles	939,201	522,457	416,744	152,620
Leasehold improvements	255,935	46,921	209,014	-
Computer equipment	435,215	424,466	10,749	7,540
	$ 23,980,299	$ 8,565,333	$ 15,414,966	$ 15,664,563

During the year, cash was paid for the following:

	2019	2018
Buildings	$ 6,435	$ 109,910
Furniture and equipment	12,361	85,543
Vehicles	-	15,535
Computer equipment	10,749	-
Leasehold Improvements	255,935	-
	$ 285,480	$ 210,988

On September 30, 2019, the Kass building on rue Beaudry was sold for $1,200,000, resulting in a book gain of $1,038,113. In addition, the furniture and equipment were written-off, resulting in a loss of $7,740.

7. Property and equipment (cont'd.)

Included in accumulated amortization is $2,135,264 (2018 - $1,931,213) pertaining to the assets acquired pursuant to an SHQ mortgage agreement.

Included in vehicles are trucks under capital leases, with a cost of approximately $532,000 (2018 - $167,000) and a net book value of approximately $426,000 (2018 - $150,000), described in Note 11.

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 the increased demand for its services.

9. Restricted cash and marketable securities

	2019	2018
Contingency reserve fund	**$ 2,190,000**	$ 1,255,000
Bequests	**427,000**	219,000
Residence reserve fund	**182,000**	173,000
Transitional Housing reserve fund	**76,000**	70,000
Held on behalf of participants in the Mission's rehabilitation and reinsertion programs	**6,000**	6,000
Designated gifts - other	**281,000**	226,000
	3,162,000	1,949,000
Less current portion (Note 3)	**220,000**	146,000
	$ 2,942,000	$ 1,803,000

	2019	2018
Marketable securities	**$ 2,007,000**	$ 1,803,000
Accounts receivable	**935,000**	-
	$ 2,942,000	$ 1,803,000

Marketable securities with a fair value of approximately $2,414,000 (2018 - $2,247,000) have a cost base of approximately $2,039,000 (2018 - $1,993,000). Approximately $2,007,000 (2018 - $1,803,000) of the marketable securities are restricted to fulfil the internal and external restricted requirements.

An amount of $935,000 of the $1,200,000 proceeds receivable on the sale of the Kass building has been shown as internally restricted and included in the Contingency reserve fund, to reflect the board of directors plan for the funds.

10. Accounts payable and accrued liabilities

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

	2019	2018
Payroll deductions at source	$ **15,741**	$ 13,186
Accounts payable and accrued liabilities	**867,928**	930,834
	$ **883,669**	$ 944,020

Included in accounts payable and accrued liabilities is approximately $6,300 (2018 - $17,000) pertaining to the Residence and $1,500 (2018 - $2,300) pertaining to the Transitional Housing.

11. Capital lease obligations

	2019	2018
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.	$ **123,842**	$ 152,184
Loan, of an original amount of $89,417, maturing on November 19, 2023, bearing interest at 6.5% and repayable in blended monthly installments of $1,740.	**79,508**	-
Loan, of an original amount of $46,203, maturing on December 1, 2023, bearing interest at 6.9858% and repayable in blended monthly installments of $785.	**41,445**	-
Loan, of an original amount of $37,300, maturing in April 2024, bearing interest at 5.61% and repayable in blended monthly installments of $710.	**34,023**	-
Loan, of an original amount of $178,299, maturing on May 15, 2024, bearing interest at 6.5% and repayable in blended monthly installments of $3,470.	**161,245**	-
	440,063	152,184
Less current portion	**94,155**	30,810
Due beyond one year	$ **345,908**	$ 121,374

11. Capital lease obligations (cont'd.)

Estimated principal repayments are as follows:

2020	$	94,155
2021		100,032
2022		106,284
2023		97,040
2024		36,061
Subsequent years		6,491
	$	440,063

Lease payments over the next six years total $500,550 which includes interest of $60,487.

12. Mortgages payable

		2019		2018
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 $5,165,000. The bank's agreement contains a covenant which requires the Mission to maintain a minimum debt service coverage ratio of 1.25:1.00 on the Annexe building. As at September 30, 2019, the Mission is in compliance with this covenant.	**$**	**2,476,621**	$	2,619,569
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 $3,204,000.		**2,174,575**		2,213,533
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 $2,822,000. As required by the SHQ, long-term liabilities maturing in the next year, where renewal has not been renegotiated, are not to be shown as current as they are guaranteed by the SHQ subject to strict conditions making it likely that the loans will be extended. It is estimated that the same terms and conditions will apply on the renewal.		**1,206,837**		1,247,040
Carried forward	**$**	**5,858,033**	$	6,080,142

12. Mortgages payable (cont'd.)

	2019	2018
Carried forward	$ **5,858,033**	$ 6,080,142
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. As required by the SHQ, long-term liabilities maturing in the next year, where renewal has not been renegotiated, are not to be shown as current as they are guaranteed by the SHQ subject to strict conditions making it likely that the loans will be extended. It is estimated that the same terms and conditions will apply on the renewal.	**130,692**	321,464
	5,988,725	6,401,606
Less current portion	**399,620**	413,317
Due beyond one year	$ **5,589,105**	$ 5,988,289

Estimated principal repayments are as follows:

2020	$ 399,620
2021	275,174
2022	1,909,551
2023	153,009
2024	2,446,824
Subsequent years	804,547
	$ 5,988,725

13. Deferred revenue

	2019	2018
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 $16,538 a month.	**$ 1,430,828**	$ 1,486,756
Municipal subsidy of an original amount of $726,338 to offset the cost of the Residence.	**307,483**	336,537
Provincial subsidy, under the AccèsLogis program of the SHQ, of $1,500,200 to offset the cost of the Transitional Housing.	**1,275,170**	1,312,675
Municipal subsidy of an original amount of $504,150 to offset the cost of the Transitional Housing.	**428,527**	441,132
Deferred Contribution FQHC - Residence.	**(242,425)**	(251,901)
Deferred Contribution FQHC - Transitional Housing.	**(153,649)**	(158,169)
Deferred revenue - Designated gifts (other)	**221,357**	151,870
Prepaid rent revenue	**60,000**	80,000
	3,327,291	3,398,900
Less current portion	**342,453**	272,966
Deferred revenue	**$ 2,984,838**	$ 3,125,934

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

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:

	2019	2018
Emergency Shelter Services	**$ 4,010,663**	$ 3,484,652
Food Security and Family Services	**1,439,905**	1,096,007
Youth Outreach Services	**738,855**	1,170,948
Children's Services	**506,579**	1,342,920
Education and employability	**280,807**	259,727
Social Economy	**587,467**	677,694
Residence	**564,311**	431,137
Health and Dental Clinic	**516,695**	437,295
Transitional Housing	**66,425**	61,909
Meal Services	**1,280,290**	1,228,733
	$ 9,991,997	$ 10,191,022

Included in these expenses are investment management fees, interest, bank charges and credit card charges of $88,106 (2018 - $93,066).

16. Merchandise distributed

	2019	2018
Opening inventory	**$ 985,147**	$ 570,516
Donated merchandise	**10,443,632**	10,447,341
Purchases	**279,944**	477,553
	11,708,723	11,495,410
Ending inventory	**(825,727)**	(985,147)
	$ 10,882,996	$ 10,510,263

Merchandise was distributed during the year as follows:

	2019	2018
Food Security and Family Services	**$ 7,993,691**	$ 7,481,654
Emergency Shelter Services	**884,897**	874,612
Youth Outreach Services	**24,573**	128,321
Residence	**199,082**	243,379
Children's Services, Operations and Social Economy	**53,012**	42,291
Operations	**22,084**	11,451
La Boutique	**209,661**	151,930
Administration	**13,555**	11,655
	9,400,555	8,945,293
Donations to other agencies	**1,482,441**	1,564,970
	$ 10,882,996	$ 10,510,263

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, 2019, the policy had no cash surrender value. This donation will be recorded in the bequests fund when the proceeds are received.

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 are as follows:

	2019	2018
Moisson Montréal - donated food merchandise	**$ 6,097,075**	$ 6,606,039
Federal subsidies and grants	**709,450**	459,577
Provincial subsidy - "Programme de Soutien aux Organismes Communautaires (PSOC)"	**1,903,977**	1,861,205
Provincial subsidies and grants - other	**441,928**	281,830
Municipal subsidies and grants	**204,054**	204,054

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, 2019, the carrying value of financial instruments denominated in U.S. dollars (reported in Canadian dollars) is summarized below:

	2019	2018
Cash and cash equivalents	**$ 14,737**	$ 4,444
Marketable securities	**689,268**	536,942

(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, 2019, the fair value of marketable securities exceeds the cost by approximately $375,000 (2018 - $254,000).

19. Financial instruments risks and uncertainties (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

In addition to the capital lease obligation outlined in Note 11, the Mission has a lease agreement for a building in Montreal-North.

Estimated minimum lease payments are as follows:

2020	$	33,000
2021		36,000
2022		39,000
2023		42,000
	$	150,000