

RUTH & NAOMI'S MISSION
Financial Statements
Year Ended December 31, 2013

RUTH & NAOMI'S MISSION
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Year Ended December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Members of Ruth & Naomi's Mission

I have audited the accompanying financial statements of Ruth & Naomi's Mission, which comprise the statements of financial position as at December 31, 2013 and December 31, 2012 and the statements of revenues and expenditures, changes in net assets and cash flows for the years ended December 31, 2013 and December 31, 2012, 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Ruth & Naomi's Mission derives revenue from fundraising activities 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 Ruth & Naomi's Mission. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2013 and December 31, 2012, current assets and net assets as at December 31, 2013 and December 31, 2012.

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Independent Auditor's Report to the Members of Ruth & Naomi's Mission *(continued)*

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Ruth & Naomi's Mission as at December 31, 2013 and December 31, 2012 and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.


Surrey, British Columbia
May 7, 2014

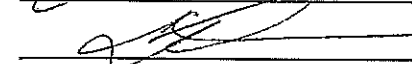
Agatha Cluff Inc.
CHARTERED ACCOUNTANT

RUTH & NAOMI'S MISSION
Statement of Financial Position
December 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash and equivalents	\$ 102,401	\$ 280,644
Accounts receivable	1,245	1,245
GST (HST) recoverable	4,901	16,482
	<u>108,547</u>	<u>298,371</u>
CAPITAL ASSETS (Note 3)	<u>1,475,624</u>	<u>1,251,363</u>
	<u>\$ 1,584,171</u>	<u>\$ 1,549,734</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 22,590	\$ 31,244
Deferred revenue (Note 4)	20,775	25,000
Line of credit (Note 5)	327,802	-
Current portion of long term debt (Note 6)	-	8,468
	<u>371,167</u>	<u>64,712</u>
LONG TERM DEBT (Note 6)	<u>-</u>	<u>232,629</u>
FORGIVABLE MORTGAGE (Note 7)	<u>387,000</u>	<u>387,000</u>
	<u>758,167</u>	<u>684,341</u>
NET ASSETS		
General fund	<u>826,004</u>	<u>865,393</u>
	<u>\$ 1,584,171</u>	<u>\$ 1,549,734</u>

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

See notes to financial statements

RUTH & NAOMI'S MISSION
Statement of Revenues and Expenditures
Year Ended December 31, 2013

	2013	2012
REVENUES		
Donations - capital	\$ 80,000	\$ 39,343
Donations - operating	369,941	476,218
Step Up Program (Schedule 1)	351,253	181,452
	<u>801,194</u>	<u>697,013</u>
EXPENSES		
Accounting fees	14,144	13,658
Advertising and promotion	8,016	3,680
Amortization of intangible assets	51,581	44,514
Consulting fees	32,569	18,691
Donations	1,123	-
Fundraising activity costs	10,919	10,284
Insurance	5,314	6,447
Interest, bank and credit card charges	2,403	1,564
Interest on long term debt	8,880	14,541
Management fees	1,894	1,178
Memberships	626	2,027
Office	12,598	15,156
Property taxes	2,041	-
Rental	4,500	9,000
Repairs and maintenance	8,829	8,989
Salaries and wages	162,753	118,044
Supplies	55,320	37,502
Telephone	2,819	8,056
Travel	-	3,128
Utilities	24,424	13,059
Vehicle	5,152	3,728
Step Up Program (Schedule 1)	424,678	184,503
	<u>840,583</u>	<u>517,749</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (39,389)</u>	<u>\$ 179,264</u>

RUTH & NAOMI'S MISSION
Statement of Changes in Net Assets
Year Ended December 31, 2013

	2013	2012
NET ASSETS - BEGINNING OF YEAR	\$ 865,393	\$ 686,129
Deficiency of revenues over expenses	<u>(39,389)</u>	<u>179,264</u>
NET ASSETS - END OF YEAR	<u>\$ 826,004</u>	<u>\$ 865,393</u>

See notes to financial statements

RUTH & NAOMI'S MISSION
Statement of Cash Flows
Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (39,389)	\$ 179,264
Item not affecting cash:		
Amortization of property, plant and equipment	51,581	44,514
	<u>12,192</u>	<u>223,778</u>
Changes in non-cash working capital:		
Accounts payable	(8,656)	44,341
Deferred revenue	(4,225)	25,000
GST (HST) receivable	11,581	18,764
Employee deductions payable	-	(2,723)
	<u>(1,300)</u>	<u>85,382</u>
Cash flow from operating activities	<u>10,892</u>	<u>309,160</u>
INVESTING ACTIVITY		
Purchase of property, plant and equipment	<u>(275,840)</u>	<u>(129,317)</u>
FINANCING ACTIVITIES		
Line of credit	327,802	-
Proceeds from long term financing	99,162	-
Repayment of long term debt	(340,259)	(393,884)
BC Housing forgivable mortgage	-	387,000
Cash flow from (used by) financing activities	<u>86,705</u>	<u>(6,884)</u>
INCREASE (DECREASE) IN CASH FLOW	(178,243)	172,959
Cash - beginning of year	<u>280,644</u>	<u>107,685</u>
CASH - END OF YEAR	\$ 102,401	\$ 280,644

RUTH & NAOMI'S MISSION
Notes to Financial Statements
Year Ended December 31, 2013

1. DESCRIPTION OF BUSINESS

The business is incorporated under the Society Act of British Columbia, and provides transitional housing, shelter beds and counselling for the homeless.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (GAAP).

Cash and equivalents

Short-term debt securities purchased with maturity of three months or less to are classified as cash equivalents.

Government assistance

Government assistance for acquiring fixed assets and related to expenses is recorded as deferred government assistance and is amortized on the same basis and according to the same rates as the related fixed assets or to income as eligible expenditures are incurred. Government assistance for current expenses is recorded as a reduction of the related expenditures. Government assistance for acquiring fixed assets is recorded as a reduction of the cost of related assets.

Government grants

Government grants are recorded when there is a reasonable assurance that the Society had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

Revenue recognition

Ruth & Naomi's Mission follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

~~Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.~~

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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RUTH & NAOMI'S MISSION
Notes to Financial Statements
Year Ended December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods with half the rate calculated on additions made during the year:

Buildings	4%	declining balance method
Computer equipment	55%	declining balance method
Equipment	20%	declining balance method
Furniture	20%	declining balance method
Signage	20%	declining balance method

The Society regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Land	\$ 473,280	\$ -	\$ 473,280	\$ 473,280
Buildings	1,002,027	73,253	928,774	690,573
Computer equipment	2,507	1,363	1,144	1,225
Equipment	85,533	34,263	51,270	64,087
Furniture	26,153	6,643	19,510	20,140
Signage	2,586	940	1,646	2,058
	<u>\$ 1,592,086</u>	<u>\$ 116,462</u>	<u>\$ 1,475,624</u>	<u>\$ 1,251,363</u>

4. DEFERRED REVENUE

Deferred revenue represents the January 2014 monthly grant from BC Housing received in December of 2013.

5. LINE OF CREDIT

Envision line of credit bearing interest at credit union prime lending rate plus 1% per annum calculated monthly, to a maximum of \$800,000 secured by a registered inter alia collateral mortgage in the amount of \$1,500,000 by property held in Chilliwack, BC.

RUTH & NAOMI'S MISSION
Notes to Financial Statements
Year Ended December 31, 2013

6. LONG TERM DEBT

	2013	2012
HSBC mortgage bearing interest at bank prime plus 1% per annum, repayable in monthly blended payments of \$1,490. The loan matures June 2031 and is secured by land and buildings with a net book value of \$1,163,853. The loan was repaid during the year.	\$ -	\$ 241,097
Amounts payable within one year	-	(8,468)
	\$ -	\$ 232,629

7. FORGIVABLE MORTGAGE

The British Columbia Housing Commission has extended a Forgivable Mortgage of \$387,000 to the Society in order to reduce the outstanding balance of a pre-existing mortgage registered on the Site. The mortgage is due on demand, is non-interest bearing and without any repayment terms providing the Society does not default on the current loan held.

Should the Society default on the mortgage interest will be payable at 2% per annum plus prime until the forgivable mortgage is repaid. Repayment terms are as follows:

The borrower promises to pay on demand, upon default, the full amount;

There will be no reduction in the principal for the first ten years;

Provided the Society has not defaulted on the mortgage and continues to develop, use and operate the transitional housing and provide shelter beds; the lender shall reduce the principal owing by an amount equal to 1 divided by the number of years remaining in the term on each anniversary date of the term of the mortgage until the end of the Term.

RUTH & NAOMI'S MISSION
Notes to Financial Statements
Year Ended December 31, 2013

8. FINANCIAL INSTRUMENTS

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to minimal credit risk from customers and renters as most of the revenue is derived from donations and grants. An allowance for doubtful accounts is established based upon the credit risk of specific accounts. The Society records donations and grants only when received or collection is assured which minimizes concentration of credit risk.

Fair Value

The Society's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Society for debt with similar terms.

Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to minimal interest rate risk.

RUTH & NAOMI'S MISSION
Step Up Program
Year Ended December 31, 2013

(Schedule 1)

	2013	2012
REVENUE		
BC Housing grants	\$ 300,360	\$ 175,000
Rental revenue	50,893	6,452
	<u>351,253</u>	<u>181,452</u>
EXPENSES		
Accounting fees	1,500	1,500
Conferences and meetings	2,633	1,148
Consulting	20,566	18,886
Curriculum	3,421	3,128
Environmental levies	-	6,570
Interest on long-term debt	2,950	4,783
Meals and food	28,077	6,433
Office and computer expenses	563	4,801
Program supplies	2,033	512
Repairs and maintenance	15,802	3,172
Salaries, wages and benefits	320,863	116,146
Small furniture and equipment	8,779	8,817
Telephone and utilities	15,510	6,109
Travel and mileage	1,981	2,498
	<u>424,678</u>	<u>184,503</u>
LOSS FROM OPERATIONS	<u>\$ (73,425)</u>	<u>\$ (3,051)</u>

See notes to financial statements