

RUTH & NAOMI'S MISSION
Financial Statements
Year Ended December 31, 2014

RUTH & NAOMI'S MISSION
Index to Financial Statements
Year Ended December 31, 2014

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flow	6
Notes to Financial Statements	7 - 9
Step Up Program (<i>Schedule 1</i>)	10
Step Inn Program (<i>Schedule 2</i>)	11
Princess Program Expenses (<i>Schedule 3</i>)	12

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, 2014 and December 31, 2013 and the statements of revenues and expenditures, changes in net assets and cash flow for the years ended December 31, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, current assets and net assets as at December 31, 2014 and December 31, 2013.

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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, 2014 and December 31, 2013 and the results of its operations and its cash flow for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Surrey, British Columbia
April 21, 2015

Agatha Cluff Inc.
CHARTERED ACCOUNTANT

RUTH & NAOMI'S MISSION
Statement of Financial Position
December 31, 2014

	2014	2013
ASSETS		
CURRENT		
Cash and equivalents	\$ -	\$ 102,401
Accounts receivable	23,482	1,245
GST recoverable	3,413	4,901
	<u>26,895</u>	108,547
CAPITAL ASSETS (Note 3)	<u>1,423,359</u>	1,475,624
	<u>\$ 1,450,254</u>	<u>\$ 1,584,171</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 33,953	\$ 22,589
Deferred revenue (Note 4)	20,775	20,775
Line of credit (Note 5)	275,729	327,802
	<u>330,457</u>	371,166
FORGIVABLE MORTGAGE (Note 6)	<u>387,000</u>	387,000
	<u>717,457</u>	758,166
NET ASSETS		
General fund	<u>732,797</u>	826,005
	<u>\$ 1,450,254</u>	<u>\$ 1,584,171</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, 2014

	2014	2013
REVENUES		
Donations - operating	\$ 464,094	\$ 449,941
Miscellaneous income	14,037	-
Step Up Program (<i>Schedule 1</i>)	<u>373,037</u>	<u>351,253</u>
	851,168	801,194
EXPENSES		
Accounting fees	7,520	14,144
Advertising and promotion	23,150	8,016
Amortization of assets	52,265	51,581
Consulting fees	550	32,569
Donations	-	1,123
Fundraising activity costs	3,644	10,919
Insurance	6,367	5,314
Interest, bank and credit card charges	2,312	2,402
Interest on line of credit/mortgage	16,443	8,880
Memberships	2,030	626
Office	35,461	14,493
Property taxes	-	2,041
Rental	-	4,500
Repairs and maintenance	25,023	8,829
Salaries and wages	17,141	162,753
Supplies	5,128	55,320
Telephone	-	2,819
Travel	101	-
Utilities	509	24,424
Vehicle	2,855	5,152
Step Up Program (<i>Schedule 1</i>)	424,684	424,678
Step Inn Program (<i>Schedule 2</i>)	312,973	-
Princess Program Expenses (<i>Schedule 3</i>)	<u>6,220</u>	<u>-</u>
	944,376	840,583
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (93,208)	\$ (39,389)

See notes to financial statements

RUTH & NAOMI'S MISSION
Statement of Changes in Net Assets
Year Ended December 31, 2014

	<u>2014</u>	<u>2013</u>
NET ASSETS - BEGINNING OF YEAR	\$ 826,005	\$ 865,392
Deficiency of revenues over expenses	<u>(93,208)</u>	<u>(39,389)</u>
NET ASSETS - END OF YEAR	<u>\$ 732,797</u>	<u>\$ 826,003</u>

See notes to financial statements

RUTH & NAOMI'S MISSION
Statement of Cash Flow
Year Ended December 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (93,208)	\$ (39,389)
Item not affecting cash:		
Amortization of assets	52,265	51,581
	<u>(40,943)</u>	<u>12,192</u>
Changes in non-cash working capital:		
Accounts receivable	(22,237)	-
Accounts payable	11,364	(8,656)
Deferred revenue	-	(4,225)
Goods and services tax payable	1,488	11,581
	<u>(9,385)</u>	<u>(1,300)</u>
Cash flow from (used by) operating activities	<u>(50,328)</u>	<u>10,892</u>
INVESTING ACTIVITY		
Purchase of property, plant and equipment	-	(275,840)
FINANCING ACTIVITIES		
Bank indebtedness	(52,073)	327,802
Proceeds from long term financing	-	99,162
Repayment of long term debt	-	(340,259)
Cash flow from (used by) financing activities	<u>(52,073)</u>	<u>86,705</u>
DECREASE IN CASH FLOW	(102,401)	(178,243)
Cash - beginning of year	<u>102,401</u>	<u>280,644</u>
CASH - END OF YEAR	\$ -	\$ 102,401

See notes to financial statements

RUTH & NAOMI'S MISSION
Notes to Financial Statements
Year Ended December 31, 2014

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, 2014

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	2014 Net book value	2013 Net book value
Land	\$ 473,280	\$ -	\$ 473,280	\$ 473,280
Buildings	1,002,027	110,404	891,623	928,774
Computer equipment	2,507	1,992	515	1,144
Equipment	85,533	44,517	41,016	51,270
Furniture	26,153	10,545	15,608	19,510
Signage	2,586	1,269	1,317	1,646
	\$ 1,592,086	\$ 168,727	\$ 1,423,359	\$ 1,475,624

4. DEFERRED REVENUE

Deferred revenue for December 31, 2014 represents the January 2015 monthly grant from BC Housing received in December of 2014. For the year ended December 31, 2013, deferred revenue represented the January 2015 monthly grant from BC Housing received in December of 2014.

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, 2014

6. 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.

7. 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 is not determinable due to the nature of the terms of the forgivable mortgage.

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
(Schedule 1)
Year Ended December 31, 2014

	2014	2013
REVENUE		
BC Housing grants	\$ 257,280	\$ 300,360
Ministry of Social Development	76,105	-
Rental revenue	39,652	50,893
	<u>373,037</u>	<u>351,253</u>
EXPENSES		
Accounting and audit	1,500	1,500
Conferences and meetings	1,375	2,633
Consulting	-	20,566
Curriculum	1,152	3,421
Insurance	1,625	-
Interest on long-term debt	-	2,950
Meals and food	53,665	28,077
Office and computer expenses	940	563
Program supplies	153	2,033
Rent	8,830	-
Repairs and maintenance	5,142	15,802
Salaries, wages and benefits	324,679	320,863
Small furniture and equipment	7,345	8,779
Telephone and utilities	17,572	15,510
Travel and mileage	706	1,981
	<u>424,684</u>	<u>424,678</u>
LOSS FROM OPERATIONS	\$ (51,647)	\$ (73,425)

See notes to financial statements

RUTH & NAOMI'S MISSION
Step Inn Program
(Schedule 2)
Year Ended December 31, 2014

	2014	2013
EXPENSES		
	\$ -	\$ -
Insurance	954	-
Meals and food	62,742	-
Office expenses and supplies	626	-
Repairs and maintenance	4,551	-
Salaries, wages, and benefits	223,379	-
Telephone and utilities	18,904	-
Travel	105	-
Telephone - cell	1,712	-
	<u>\$ 312,973</u>	<u>\$ -</u>

See notes to financial statements

RUTH & NAOMI'S MISSION
Princess Program Expenses
(Schedule 3)
Year Ended December 31, 2014

	2014	2013
EXPENSES		
Princess Utilities - Gas	\$ 1,619	\$ -
Princess Utilities - Hydro	1,270	-
Princess Utilities - Other	311	-
Princess Utilities - Shaw Bundle	1,746	-
Princess Utilities - Waste Services	768	-
Repairs and maintenance	506	-
	\$ 6,220	\$ -

See notes to financial statements