



Financial Statements

THE SCOTT MISSION

September 30, 2010

THE SCOTT MISSION
2010 Financial Statements

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Auditors' Report

**To the Board of Directors of
The Scott Mission**

Grant Thornton LLP
Suite 200
41 Valleybrook Drive
Toronto, ON
M3B 2S6
T (416) 449-9171
F (416) 449-7401
www.GrantThornton.ca

We have audited the balance sheet of The Scott Mission (the "Mission") as at September 30, 2010 and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Mission's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Mission as at September 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Chartered Accountants, Licensed Public Accountants
November 19, 2010

THE SCOTT MISSION

Balance Sheet

As at September 30

	2010			2009	
	General Operating Fund	Zeidman Family Memorial Fund	General Reserve Fund	Total	Total
ASSETS					
Cash	\$ 115,667	\$ -	\$ -	\$ 115,667	\$ 146,438
Accounts receivable	114,814	-	-	114,814	86,480
Prepaid expenses	44,229	-	-	44,229	73,270
Accrued benefit asset (note 4)	51,535	-	-	51,535	206,984
Interfund advance receivable (payable) (note 5)	1,072,337	(13,000)	(1,059,337)	-	-
	1,398,582	(13,000)	(1,059,337)	326,245	513,172
Investments, at market (note 6)	72,469	259,545	20,537,440	20,869,454	21,184,415
Charitable remainder trust (note 7)	-	-	55,283	55,283	52,525
Property and equipment (note 8)	1,546,510	-	-	1,546,510	1,668,811
	1,618,979	259,545	20,592,723	22,471,247	22,905,751
	\$ 3,017,561	\$ 246,545	\$ 19,533,386	\$ 22,797,492	\$ 23,418,923
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued liabilities	\$ 457,123	\$ -	\$ 18,489	\$ 475,612	\$ 295,100
Fund balances					
Invested in property and equipment	1,546,510	-	-	1,546,510	1,668,811
Externally restricted	47,555	-	-	47,555	47,555
Unrestricted	966,373	246,545	19,514,897	20,727,815	21,407,457
	2,560,438	246,545	19,514,897	22,321,880	23,123,823
	\$ 3,017,561	\$ 246,545	\$ 19,533,386	\$ 22,797,492	\$ 23,418,923

See accompanying notes

On behalf of the Board:

Director

Director

THE SCOTT MISSION
Statement of Revenue and Expenses
Year ended September 30

	2010			2009	
	General Operating Fund	Zeidman Family Memorial Fund	General Reserve Fund	Total	Total
Revenue					
General contributions	\$ 2,536,700	\$ -	\$ -	\$ 2,536,700	\$ 1,817,996
Bequests	2,284,651	-	-	2,284,651	1,728,736
Grants	788,544	-	-	788,544	796,994
Fees from ministry to children and youth	209,662	-	-	209,662	139,260
Interest and miscellaneous income	50,870	-	2,760	53,630	38,866
	5,870,427	-	2,760	5,873,187	4,521,852
Expenses					
Ministry to homeless and elderly	2,412,013	-	-	2,412,013	2,584,034
Ministry to children and youth	2,296,073	-	-	2,296,073	2,278,642
Ministry to families	1,221,803	-	-	1,221,803	1,240,659
Public awareness	781,182	-	-	781,182	816,556
Administration and support ministry	542,660	-	64,522	607,182	533,660
Fundraising	541,916	-	-	541,916	362,585
	7,795,647	-	64,522	7,860,169	7,816,136
Deficiency of revenue over expenses	(1,925,220)	-	(61,762)	(1,986,982)	(3,294,284)
Net appreciation on investments (note 6)	4,072	14,585	1,166,382	1,185,039	1,227,235
Net excess (deficiency) of revenue over expenses	\$ (1,921,148)	\$ 14,585	\$ 1,104,620	\$ (801,943)	\$ (2,067,049)

See accompanying notes

THE SCOTT MISSION
Statement of Changes in Fund Balances
Year ended September 30

	2010					2009	
	General Operating Fund			Zeidman Family Memorial Fund	General Reserve Fund	Total	Total
	Invested in Property and Equipment	Externally Restricted	Unrestricted	Unrestricted	Unrestricted		
Fund balances, beginning of year	\$ 1,668,811	\$ 47,555	\$ 972,220	\$ 224,960	\$ 20,210,277	\$ 23,123,823	\$ 25,190,872
Excess (deficiency) of revenue over expenses	-	-	(1,921,148)	14,585	1,104,620	(801,943)	(2,067,049)
Amortization of property and equipment	(211,046)	-	211,046	-	-	-	-
Purchases of property and equipment	88,745	-	(88,745)	-	-	-	-
Interfund transfers	-	-	1,793,000	7,000	(1,800,000)	-	-
Fund balances, end of year	\$ 1,546,510	\$ 47,555	\$ 966,373	\$ 246,545	\$ 19,514,897	\$ 22,321,880	\$ 23,123,823

See accompanying notes

THE SCOTT MISSION
Statement of Cash Flows
Year ended September 30

	2010	2009
Operating activities		
Deficiency of revenue over expenses	\$ (801,943)	\$ (2,067,049)
Items not involving cash		
Amortization of property and equipment	211,046	243,775
Change in accrued benefit asset	155,449	99,107
Revaluation of charitable remainder trust	(2,760)	(3,879)
Investment income reinvested	(641,105)	(711,718)
Unrealized capital gains	(508,933)	(833,048)
Net realized capital (gains) losses	(35,001)	317,531
	<u>(1,623,247)</u>	<u>(2,955,281)</u>
Net change in non-cash working capital items		
Accounts receivable	(28,332)	(41,207)
Prepaid expenses	29,041	(20,933)
Accounts payable and accrued liabilities	180,512	71,605
	<u>181,221</u>	<u>9,465</u>
Cash flows from operating activities	<u>(1,442,026)</u>	<u>(2,945,816)</u>
Investing activities		
Purchase of investment	(300,000)	-
Withdrawal of investments	1,800,000	3,100,000
Purchase of property and equipment	(88,745)	(149,007)
Cash flows from investing activities	<u>1,411,255</u>	<u>2,950,993</u>
Net change in cash during the year	(30,771)	5,177
Cash, beginning of year	146,438	141,261
Cash, end of year	<u>\$ 115,667</u>	<u>\$ 146,438</u>

See accompanying notes

THE SCOTT MISSION

Notes to Financial Statements

Year ended September 30, 2010

1. Purpose of the organization

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

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

The allocation of resources has been presented as follows:

Ministry to homeless and elderly

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

Ministry to children

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

Ministry to families

These expenses include the free clothing store, the Food Bank and counselling.

Public awareness

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

Administration and support ministry

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

Fundraising

The majority of fundraising expenses are for mailings to donors, including design, printing and postage.

2. Objectives, policies and processes for managing capital

The Mission's capital is comprised of the net assets invested in property and equipment and in the unrestricted fund balance. The Mission invests in property and equipment in order to provide a safe and secure environment in which to meet its needy clients' spiritual, emotional and basic needs. The Mission maintains an unrestricted fund balance to support its daily operations. The Board of Directors (the "Board") manages the fund on an ongoing basis with the primary objective of providing reasonable rates of return and to preserve the capital of its operating reserves consistent with available market opportunities, a high standard of investment quality, moderate levels of risk, and high liquidity.

The Board has established a Finance and Audit Committee which works with management to ensure that the Mission's standards for property and equipment are met. Each year, management submits a capital budget to the Board for examination. The Board then authorizes the funds for an approved capital plan, which is executed by management. The approved plan for fiscal 2010 included building renovations and the purchase of new computers and furniture and equipment as detailed in note 8, Property and equipment.

THE SCOTT MISSION
Notes to Financial Statements
Year ended September 30, 2010

2. Objectives, policies and processes for managing capital - continued

The Board meets its responsibility of managing the unrestricted fund through the use of an Investment Committee, management of the Mission, a custodian and an Investment Manager. The Investment Committee is responsible for recommending to the Board the Statement of Investment Policies (SIP) and to select and evaluate the performance of the Investment Manager. Management reports on the fund balance and investment performance to the Board. The Investment Manager manages the fund according to the SIP established by the Investment Committee and approved by the Board. The custodian processes the security transactions that result from the buy-and-sell orders placed by the manager. The Board ensures that the provisions of the SIP are met and conducts reviews of investment practices and performance on a regular basis, mainly through the Investment Committee. The Board reviews, and if necessary, revises the SIP at least annually, taking into account the general economic conditions and the risk characteristics of the underlying assets.

Management prepares, and the Finance Committee reviews the annual budget and cash flow forecast which projects the unrestricted fund balance required. After the budget is approved by the Board, the Board's Treasurer monitors actual results against forecast and notifies the Finance Committee and the Board when changes in plans or practices are required. Investment income earned by the unrestricted fund is transferred to the Mission, as needed, to support the daily operations of the Mission within the approved operating budget to provide funds for capital requirements and to cover unexpected contingencies. It is the opinion of the Board that the fund is managed in a prudent and responsible manner.

3. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, the more significant of which are outlined below.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Areas requiring the use of significant estimates include the estimated useful life of property and equipment and measurement of the accrued benefit asset and the annual pension expense relating to the Mission's post retirement benefit plan. Actual results could differ from these estimates.

Fund accounting

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

The General Operating Fund includes the assets, liabilities, revenues and expenses applicable to the general operations of all programs.

The Zeidman Family Memorial Fund was established by the Board as a memorial to the Zeidman family with the purpose of awarding bursaries to needy students attending post-secondary academics.

The General Reserve Fund was established to segregate funds needed for future capital and operating expenses.

THE SCOTT MISSION
Notes to Financial Statements
Year ended September 30, 2010

3. Summary of significant accounting policies - continued

Financial instruments

The Canadian Institute of Chartered Accountants provides a choice for financial statement disclosure and the Mission has chosen to continue to apply Financial Instruments - Disclosure and Presentation, Section 3861 in place of Financial Instruments - Disclosure, Section 3862 and Financial Instruments - Presentation, Section 3863.

The Mission's financial instruments consist of cash, accounts receivable, investments, charitable remainder trust and accounts payable. Cash, accounts receivable and accounts payable are recorded at fair value.

Investments are recorded and carried at fair market value. Unrealized gains and losses arising from the change in fair value of the investments are included in deficiency of revenue over expenses for the year.

The charitable remainder trust is measured at amortized cost using the effective interest rate method.

It is management's opinion that the Mission is not exposed to significant interest, currency or credit risks arising from financial instruments. Investments and the charitable remainder trust are recorded at fair market value, and the carrying values of the remaining financial instruments approximate fair value due to their short period to maturity.

Property and equipment

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

Buildings and improvements	Straight-line over 20 years
Furniture and equipment	Straight-line over 5 years
Vehicles	Straight-line over 3 years
Computers	Straight-line over 3 years

Interfund transfers

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

Revenue recognition

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

Allocation of expenses

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

THE SCOTT MISSION
Notes to Financial Statements
Year ended September 30, 2010

3. Summary of significant accounting policies - continued

Contributed goods and services

Volunteers contribute many hours per year to assist the Mission in carrying out its service activities. Also, the Mission receives daily donated contributions of food, used clothing and other useable goods. Because of the difficulty of determining their fair value, contributed goods and services are not recognized in the financial statements.

Future accounting changes

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has issued new accounting standards for not-for-profit organizations applicable for fiscal years beginning on or after January 1, 2012. The Mission has not yet determined the impact of the new standards on its financial statements.

4. Post retirement benefit plan

The Mission maintains a pension plan to provide retirement income to its eligible employees. The plan is a defined benefit plan, which means that the Mission is committed to paying fixed monthly pension amounts to eligible retirees, with the payment amounts and duration being determined by the terms of the plan. Benefits paid in 2010 were \$127,978 (2009 - \$142,970).

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

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

The accrued benefit obligation currently exceeds the fair value of plan assets, resulting in a plan deficit. This deficit would only be realized over an extended time period, and consequently the Mission is providing funding to eliminate the deficit over an extended period. The funding contributions made by the Mission are at the rates recommended by the actuary which are in accordance with government regulations. The funding contributions are also approved by the Board of Directors.

The Mission measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at September 30 of each year. The most recent actuarial valuation of the pension plan for funding purposes was as of October 1, 2010.

	2010	2009
Funded status		
Fair value of plan assets	\$ 3,393,860	\$ 3,131,368
Accrued benefit obligation	(5,604,870)	(4,300,391)
Funded status - plan deficit	\$ (2,211,010)	\$ (1,169,023)

	2010	2009
Significant assumptions are as follows:		
Discount rate	3.75%	4.50%
Projected long-term rate of return on plan assets	6.00%	6.00%
Rate of compensation increase	2.00%	1.00%

THE SCOTT MISSION
Notes to Financial Statements
Year ended September 30, 2010

4. Post retirement benefit plan - continued

The Mission accounts for the costs of the pension plan in accordance with Canadian generally accepted accounting principles. These principles require that pension plan costs be recorded each year based on the actuarially computed pension entitlements earned each year by the eligible employees, plus amortization of various timing differences. The accumulated net difference between the annual pension expense and the required funding contributions is the *accrued benefit asset* shown below.

	2010	2009
Accrued benefit asset, beginning of year	\$ 206,984	\$ 306,091
Funding contributions made by the Mission	202,990	315,155
Pension plan costs recognized	(358,439)	(414,262)
Accrued benefit asset, end of year	\$ 51,535	\$ 206,984

5. Interfund advance

The interfund advance from the General Operating Fund to the General Reserve Fund is due on demand and bears no interest.

6. Investments, at market value

Investments in pooled funds are held as follows:

	2010	2009
	Market Value	Market Value
General Operating Fund		
Stowe Fund	\$ 72,469	\$ 68,397
Zeidman Family Memorial Fund	259,545	244,960
General Reserve Fund	20,537,440	20,871,058
	\$ 20,869,454	\$ 21,184,415

The investments in pooled funds are managed under the authority of the Board to achieve the long-term objectives of the Mission and are subject to the conditions placed on the funds by the donors. The value of the investments is subject to market fluctuations which can be significant.

THE SCOTT MISSION
Notes to Financial Statements
Year ended September 30, 2010

6. Investments, at market value - continued

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

	2010	2009
Opening investments balance, at market value	\$ 21,184,415	\$ 23,057,180
Add:		
Investment income reinvested	641,105	711,718
Unrealized capital gains	508,933	833,048
Net realized capital gains (losses)	35,001	(317,531)
Net appreciation on investments	1,185,039	1,227,235
Add: purchase of Guaranteed Investment Certificate, bearing interest at 1.15%, maturing October 7, 2010	300,000	-
Less: net withdrawals	(1,800,000)	(3,100,000)
Ending investments balance, at market value	\$ 20,869,454	\$ 21,184,415

7. Charitable remainder trust

During 2002, a donor executed a charitable remainder trust for the benefit of the Mission. This donation is held in trust for the lifetime of the donor and upon death will be vested in the Mission. This donation is recorded at the approximate present value of the Mission's interest in the trust fund as at the date of the contribution.

8. Property and equipment

	2010			2009
	Cost	Accumulated Amortization	Net	Net
Property and equipment acquired before October 1, 1992	\$ 1	\$ -	\$ 1	\$ 1
Deposit on land purchase	13,560	-	13,560	13,560
Buildings and improvements	1,892,850	601,510	1,291,340	1,339,382
Furniture and equipment	995,916	775,850	220,066	251,013
Vehicles	411,658	404,466	7,192	45,000
Computers	791,325	776,974	14,351	19,855
	\$ 4,105,310	\$ 2,558,800	\$ 1,546,510	\$ 1,668,811

Property and equipment acquired before October 1, 1992 are recorded at a nominal value as their cost is not reasonably determinable. During 2010, the Mission acquired \$88,745 of property and equipment (2009 - \$149,007).

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Notes to Financial Statements
Year ended September 30, 2010

9. Wage subsidies grant

Toronto Children's Services Wage Subsidies are as follows:

	2010	2009
Wage subsidies received in the year	\$ 54,912	\$ 54,912
Wage subsidies spent and recognized as grant revenue (according to Day Nurseries Act, Regulation 262, Amended to O.Reg 277/98, Section 1)	(54,912)	(54,912)
<u>Wage subsidies deferred to future years</u>	<u>\$ -</u>	<u>\$ -</u>

10. Allocation of administration expenses

During 2010, \$1,789,890 of general administration expenses were allocated to various ministry programs based on management's estimate of actual time spent by staff in each area as follows:

Ministry to homeless and elderly	35%
Ministry to children and youth	30%
Ministry to families	30%
Public awareness	5%

11. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2010 financial statements.

THE SCOTT MISSION

Schedule 1 - Statement of Revenue and Expenses for the Overnight Program Year ended September 30

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

	2010
Revenue	
Overnight grant *	\$ 733,632
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Expenses	
Administration and operational	
Food services	62,451
Material and services	37,323
Personal needs allowance	31,949
Other	12,038
Resident personal needs and replacement	10,774
Transportation and communications	3,790
	<hr/>
	158,325
<hr/>	
Property management / building	
Utilities	17,606
Building maintenance and services	12,799
Other	8,528
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	38,933
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Salaries and benefits	
Salaries	511,601
Benefits	81,660
	<hr/>
	593,261
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Total expenses	790,519
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Deficiency of revenue over expenses before depreciation	(56,887)
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Depreciation	(21,105)
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Deficiency of revenue over expenses	\$ (77,992)

* Amount includes funding of \$7,395 relating to the Mission's implementation of the Shelter Management Information System.

See accompanying notes

THE SCOTT MISSION

Schedule 2 - Statement of Revenue and Expenses for the Nursery Program Year ended September 30

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

	2010
Revenue	
Parent portion of fee subsidy	\$ 151,821
Wage subsidy	54,912
Parent fees	18,138
	<hr/>
	224,871
Expenses	
Salaries	537,609
Benefits	101,678
Administration	42,551
	<hr/>
	681,838
Rent	100,793
Utilities and maintenance	69,892
Programs	39,587
Food - prepared on premises	21,550
Office	13,956
Insurance	10,823
Training and development	6,023
Professional fees	4,773
Cleaning and housekeeping	3,899
Business travel	1,610
Legal fees	1,512
	<hr/>
	274,418
Total expenses	<hr/> 956,256
Deficiency of revenue over expenses	<hr/> <hr/> \$ (731,385)

See accompanying notes