

Financial Statements of

UNION GOSPEL HOUSING SOCIETY

And Independent Auditors' Report Thereon

Year ended June 30, 2021



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INDEPENDENT AUDITORS' REPORT

To the Directors of Union Gospel Housing Society

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Union Gospel Housing Society (the Society), which comprise:

- the statement of financial position as at June 30, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Society 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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.

- 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 Society'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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Society 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.
- 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting financial statements in accordance with Canadian accounting standards for not-for-profit organization have been applied on a basis consistent with that of the preceding period.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Vancouver, Canada
October 21, 2021

UNION GOSPEL HOUSING SOCIETY

Statement of Financial Position

June 30, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 132,447	\$ 131,760
Accounts receivable and accrued receivables	6,378	10,068
Prepaid expenses	68,156	67,368
	<u>206,981</u>	<u>209,196</u>
Capital assets (note 3)	1,771,799	1,900,753
Restricted cash	42,237	40,112
	<u>\$ 2,021,017</u>	<u>\$ 2,150,061</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 24,051	\$ 25,577
Tenant deposits	42,237	40,112
Due to related party (note 4)	57,046	356,634
	<u>123,334</u>	<u>422,323</u>
Due to related party (note 4)	1,410,607	1,366,057
	<u>1,533,941</u>	<u>1,788,380</u>
Net assets:		
General fund	487,076	361,681
Related party transactions (note 5)		
	<u>\$ 2,021,017</u>	<u>\$ 2,150,061</u>

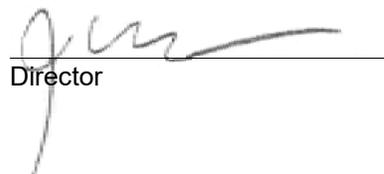
See accompanying notes to financial statements.

Approved on behalf of the Board:

Director



Director



UNION GOSPEL HOUSING SOCIETY

Statement of Operations

Year ended June 30, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Residential rents	\$ 928,397	\$ 924,472
Miscellaneous revenues	1,586	4,247
Interest and investment income	1,168	5,956
Laundry income	406	959
	<u>931,557</u>	<u>935,634</u>
Expenses:		
Housing administration:		
Administrative services contract (note 5)	40,000	35,000
Audit fees	15,223	12,885
Bad debts (recovery)	(3,395)	4,925
Interest and bank charges (note 5)	49,224	79,745
Legal fees	6,358	-
Non-recovered GST	5,659	2,471
Office supplies and services	877	2,126
Staff salaries and benefits	39,320	35,130
Technology costs	1,709	1,670
Tenant services	1,799	2,532
Building and grounds:		
Electricity	8,010	12,489
General maintenance	279,539	242,470
Insurance	39,833	33,689
Janitorial services and supplies	9,630	-
Property taxes	67,956	65,207
Service contracts	2,853	3,431
Vehicle costs	6,449	6,342
Waste removal	20,547	26,188
Water and sewer	67,569	65,483
Other expenses:		
Amortization	147,002	122,352
BC Housing subsidy repayment	-	5,579
	<u>806,162</u>	<u>759,714</u>
Excess of revenue over expenses before undernoted	125,395	175,920
Contribution of land to qualified donee (note 5)	-	(167,860)
Excess of revenue over expenses	<u>\$ 125,395</u>	<u>\$ 8,060</u>

See accompanying notes to financial statements.

UNION GOSPEL HOUSING SOCIETY

Statement of Changes in Net Assets

Year ended June 30, 2021, with comparative information for 2020

	2021	2020
Balance, beginning of year	\$ 361,681	\$ 377,009
Excess of revenue over expenses	125,395	8,060
Transfer to related party (note 5)	-	(23,388)
Balance, end of year	\$ 487,076	\$ 361,681

See accompanying notes to financial statements.

UNION GOSPEL HOUSING SOCIETY

Statement of Cash Flows

Year ended June 30, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	\$ 125,395	\$ 8,060
Items not involving cash:		
Amortization of capital assets	147,002	122,352
Contribution of land to qualified donee	-	167,860
Changes in non-cash operating working capital:		
Accounts receivable and accrued receivables	3,690	(6,242)
Prepaid expenses	(788)	(4,047)
Accounts payable and accrued liabilities	(1,526)	7,116
Tenant deposits	2,125	(2,750)
Due to related party	(299,588)	(371,805)
	(23,690)	(79,456)
Investing:		
Acquisition of capital assets	(18,048)	(92,868)
(Increase) decrease in restricted cash	(2,125)	26,138
Transfer of replacement reserve to related party (note 5)	-	(23,388)
	(20,173)	(90,118)
Financing:		
Advances received from related party	44,550	56,895
Increase (decrease) in cash	687	(112,679)
Cash, beginning of year	131,760	244,439
Cash, end of year	\$ 132,447	\$ 131,760

See accompanying notes to financial statements.

UNION GOSPEL HOUSING SOCIETY

Notes to Financial Statements

Year ended June 30, 2021

1. Operations and basis of presentation:

Union Gospel Housing Society (the "Society") is a not-for-profit organization incorporated under the laws of British Columbia and is registered under the Societies Act (British Columbia). The Society is exempt from income taxes under section 149(1) of the Income Tax Act.

The Society operates the Orchard Division housing project located at 151st Street, Surrey, which works in conjunction with Union Gospel Mission ("Mission"), to provide rental housing for low income individuals. The Society held the Cordova Division housing project facility until 2019 when the building was demolished for redevelopment by the Mission and the land was donated in 2020 to the Union Gospel Mission Foundation ("Foundation") (note 5).

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. At the time of approval of these financial statements, the Society has not experienced any significant impact to operations or a reduction in any of its major funding sources and it is not expected that there will be a material financial impact on operations. Management will continue to monitor the on-going financial impact on its cash and budget forecasts, and adjust its operations as required to ensure its ability to fulfill its obligations and continue operations.

2. Significant accounting policies:

(a) Capital assets:

Capital assets are stated at historical cost less accumulated amortization.

The amortization rates are as follows:

Asset	Basis	Rate
Building improvements	Straight-line	10 - 15 years
Furniture and fixtures	Straight-line	5 years
Automobile	Declining balance	30%

The Society reviews the carrying amount of capital assets for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to the Society's ability to provide services, or that the value of future economic benefits or service potential associated with the asset is less than its carrying amount. If such conditions exist, an impairment loss is measured and recorded in the statement of operations at the amount by which the carrying amount of the asset exceeds its fair value or replacement cost.

(b) Revenue recognition:

The Society uses the deferral method of accounting for contributions.

Rental and other income are recognized as revenue in the year they are earned. Related amounts receivable are recorded if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest and other investment income are recognized when earned on an accrual basis.

UNION GOSPEL HOUSING SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2021

2. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not made this election.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Unrestricted and restricted cash consist primarily of interest bearing savings accounts.

(d) Use of estimates:

The preparation of financial statements 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 amounts of revenue and expenses during the period. Such estimates include determination of useful lives of capital assets for the purposes of amortization. Actual results could differ from these estimates.

3. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,462,500	\$ -	\$ 1,462,500	\$ 1,462,500
Building	5,231,791	5,231,791	-	-
Building improvements	1,740,688	1,465,629	275,059	409,766
Furniture and fixtures	69,255	35,594	33,661	27,659
Automobile	36,496	35,917	579	828
	\$ 8,540,730	\$ 6,768,931	\$ 1,771,799	\$ 1,900,753

UNION GOSPEL HOUSING SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2021

4. Due to related parties:

	2021	2020
Due to related party - current:		
Union Gospel Mission	\$ 57,046	\$ 356,634
Due to related party - long-term:		
Union Gospel Mission Foundation	\$ 1,410,607	\$ 1,366,057

The current amount due to related party has no set terms for repayment and is payable on demand. The amount due to the Mission bears interest at the Vancouver City Savings Credit Union ("Vancity") prime rate plus 0.75% (2019 - Vancity prime rate plus 0.75%).

The long-term amount due to related party has no set terms for repayment and is payable on demand. As the parties have agreed that this amount will not be demanded in the subsequent year it has been classified as long-term liabilities in these financial statements. The amount due to the Foundation bears interest at the Vancity prime rate plus 0.75% (2020 - Vancity prime rate plus 0.75%).

The Society's members are the directors of the Mission. The Society is related to the Mission and the Foundation as they have the same individuals on each of their respective Board of Directors.

5. Related party transactions:

Mission:

During the year, the Mission charged the Society \$40,000 (2020 - \$35,000) for administration services and \$4,204 (2020 - \$22,750) for interest on related party balances (note 4).

Foundation:

The Foundation charged the Society \$44,550 (2020 - \$56,895) for interest on related party balances (note 4).

The Society donated its Cordova Division land to the Foundation in 2020 at a value equal to the carrying book value of \$167,860.

Heatley Housing:

During 2020, the Society transferred the \$23,388 residual balance of the replacement reserve to Heatley Housing.

The above transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

UNION GOSPEL HOUSING SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2021

6. Remuneration disclosure:

The Societies Act (British Columbia) has a requirement for the disclosure in these financial statements of the remuneration of directors, employees and contractors. For the fiscal year ending June 30, 2021, no employees or contractors received annual remuneration of \$75,000 or greater (2020 - \$75,000 no employees), and no members of the Society's Board of Directors received any remuneration.