

Financial Statements of

UNION GOSPEL HOUSING SOCIETY

And Independent Auditors' Report Thereon

Year ended June 30, 2021



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

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> |

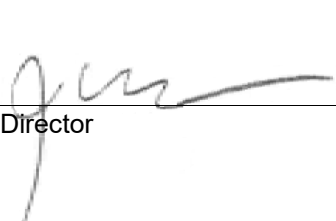
Liabilities and Net Assets

| | | |
|--|---------------------|---------------------|
| 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.