

Financial Statements of

UNION GOSPEL MISSION

And Independent Auditors' Report thereon

Year ended June 30, 2021



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INDEPENDENT AUDITORS' REPORT

To the Members of Union Gospel Mission

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Union Gospel Mission (the Entity), 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 and schedule of expenses

(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 Entity 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 Entity 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 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure 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 Entity'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 Entity 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 matter 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 organizations have been applied on a basis consistent with that of the preceding period.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Vancouver, Canada

October 21, 2021

UNION GOSPEL MISSION

Statement of Financial Position

June 30, 2021, with comparative information for 2020

	General Fund	Designated Funds	Capital Asset Fund	Total 2021	Total 2020
Assets					
Current assets:					
Cash and cash equivalents	\$ 14,373,792	\$ 694,407	\$ -	\$ 15,068,199	\$ 10,485,280
Accounts receivable	163,243	-	-	163,243	470,764
Deposits	-	-	458,154	458,154	-
Prepaid expenses	242,465	-	-	242,465	208,941
Inventory	46,322	-	-	46,322	-
Due from related parties (note 6)	954,957	-	-	954,957	1,071,434
Loan receivable from related party (note 8)	-	-	937,049	937,049	937,049
	15,780,779	694,407	1,395,203	17,870,389	13,173,468
Tangible capital assets (note 3)	-	-	779,275	779,275	865,820
Building project under development (note 3)	-	-	29,686,827	29,686,827	13,243,902
Intangible asset (note 4)	134,564	-	-	134,564	179,418
	\$ 15,915,343	\$ 694,407	\$ 31,861,305	\$ 48,471,055	\$ 27,462,608

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued liabilities (note 5)	\$ 1,544,572	\$ -	\$ -	\$ 1,544,572	\$ 1,576,930
Due to related parties (note 6)	6,728,584	-	-	6,728,584	3,705,095
Note payable to BCHMC (note 8)	-	-	937,049	937,049	937,049
	8,273,156	-	937,049	9,210,205	6,219,074

Net assets:

Unrestricted	7,642,187	-	-	7,642,187	6,454,994
Externally restricted	-	694,407	-	694,407	678,818
Invested in tangible capital assets and building project under development	-	-	30,924,256	30,924,256	14,109,722
	7,642,187	694,407	30,924,256	39,260,850	21,243,534

Related party transactions (note 7)

Contingent liability (note 10)

Commitments (note 11)

Subsequent event (note 14)

\$ 15,915,343 \$ 694,407 \$ 31,861,305 \$ 48,471,055 \$ 27,462,608

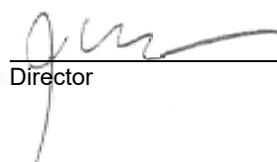
See accompanying notes to financial statements.

Approved on behalf of the Board:

Director



Director



UNION GOSPEL MISSION

Statement of Operations

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

	General Fund	Designated Funds	Capital Asset Fund	Total 2021	Total 2020
Revenue:					
General donations and grants (note 7(c))	\$ 23,943,078	\$ 590,420	\$ -	\$ 24,533,498	\$ 21,593,655
Gifts-in-kind	1,138,632	-	-	1,138,632	1,256,928
Legacy and estate gifts	2,012,645	-	-	2,012,645	2,541,708
Other donations (note 7(c))	3,862,774	-	16,901,079	20,763,853	17,911,291
Residential rental income	158,337	-	-	158,337	192,125
Commercial rental income	98,160	-	-	98,160	100,296
Store sales	750,432	-	-	750,432	498,969
Other sales and services	31,055	-	-	31,055	89,539
Interest and investment income (note 7(a))	88,608	-	-	88,608	163,237
Miscellaneous revenues	10,411	-	-	10,411	11,634
	32,094,132	590,420	16,901,079	49,585,631	44,359,382
Expenses: (Schedule)					
Programs:					
Outreach and community engagement	3,171,702	-	-	3,171,702	2,758,095
Addiction recovery	1,459,392	-	-	1,459,392	1,358,175
Women and children	2,755,537	-	-	2,755,537	2,293,723
Food services	1,984,433	-	-	1,984,433	2,173,404
Store operations:					
Gifts in kind	945,100	-	-	945,100	1,150,888
Other	620,497	-	-	620,497	507,694
Other program costs	1,633,215	-	-	1,633,215	1,148,913
Properties and infrastructure (note 3):					
Building operations	1,143,346	-	40,019	1,183,365	1,269,281
Infrastructure and other	998,037	-	173,205	1,171,242	1,080,599
Other operating costs:					
Public education and fundraising	5,085,348	-	-	5,085,348	5,018,688
General administration	1,875,865	-	-	1,875,865	1,696,747
	21,672,472	-	213,224	21,885,696	20,456,207
Excess of revenue over expenses before gifts to qualified donees	10,421,660	590,420	16,687,855	27,699,935	23,903,175
Gifts to qualified donees (note 7(b))	(9,682,619)	-	-	(9,682,619)	(11,770,257)
Excess of revenue over expenses	\$ 739,041	\$ 590,420	\$ 16,687,855	\$ 18,017,316	\$ 12,132,918

See accompanying notes to financial statements.

UNION GOSPEL MISSION

Statement of Changes in Net Assets

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

	General Fund	Designated Funds	Capital Asset Fund	Total 2021	Total 2020
Balance, beginning of year	\$ 6,454,994	\$ 678,818	\$ 14,109,722	\$ 21,243,534	\$ 9,110,616
Excess of revenue over expenses	739,041	590,420	16,687,855	18,017,316	12,132,918
Fund transfers during the year	448,152	(574,831)	126,679	-	-
Balance, end of year	\$ 7,642,187	\$ 694,407	\$ 30,924,256	\$ 39,260,850	\$ 21,243,534

See accompanying notes to financial statements.

UNION GOSPEL MISSION

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	\$ 18,017,316	\$ 12,132,918
Items not involving cash:		
Amortization of tangible capital assets	213,224	237,875
Amortization of intangible asset	44,854	44,854
Changes in non-cash operating working capital:		
Accounts receivable	307,521	(393,798)
Prepaid expenses	(33,524)	(54,120)
Deposits	(458,154)	-
Inventory	(46,322)	-
Accounts payable and accrued liabilities	(32,358)	528,046
Amounts due to/from related parties	3,139,966	1,931,918
	<u>21,152,523</u>	<u>14,427,693</u>
Investing:		
Repayment of loan amounts from related party (note 8)	-	4,381
Acquisition of tangible capital assets	(126,679)	(236,459)
Acquisition of building project under development	(16,442,925)	(10,819,908)
	<u>(16,569,604)</u>	<u>(11,051,986)</u>
Financing:		
Payment to BCHMC (note 8)	-	(4,381)
Increase in cash and cash equivalents	4,582,919	3,371,326
Cash and cash equivalents, beginning of year	10,485,280	7,113,954
Cash and cash equivalents, end of year	<u>\$ 15,068,199</u>	<u>\$ 10,485,280</u>

See accompanying notes to financial statements.

UNION GOSPEL MISSION

Notes to Financial Statements

Year ended June 30, 2021

1. Operations:

Union Gospel Mission (the "Mission") is a not-for-profit organization incorporated under the laws of British Columbia and is registered under the Societies Act (British Columbia) and as a charity under the Income Tax Act.

The purpose of the Mission is to demonstrate the love of Christ by feeding hope and changing lives through a faith-based continuum of care. The Mission offers a comprehensive range of life-changing programs and services which include outreach, meals, chaplaincy, drop-ins, emergency shelter, family services, alcohol and drug recovery, aftercare, employment services, and housing.

In 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. At the time of approval of these financial statements, the Mission 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:

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. The significant accounting policies are as follows:

(a) Basis of presentation:

The Mission Directors are the members of each of Union Gospel Mission Foundation ("Foundation"), Union Gospel Housing Society ("Housing") and Union Gospel (Heatley) Housing Society ("Heatley") and all entities have the same individuals on each of their respective Board of Directors. These financial statements have been prepared on a non-consolidated basis to reflect the operations of the Mission only (note 9).

(b) Fund accounting:

The resources and operations of the Mission have been segregated for accounting purposes into the following funds:

(i) The General Fund accounts for revenue and expenses relating to the operations of the Mission including its program delivery and other operating expenses.

(ii) The Designated Fund accounts for approved, special-purpose gifts and their related costs when incurred.

(iii) The Capital Asset Fund accounts for the Mission's assets, liabilities, revenue and amortization related to the Mission's capital assets.

To meet the objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of changes in net assets.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2021

2. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash includes cash and cash equivalents. Cash equivalents consist of highly liquid investments with maturities of three months or less at date of purchase.

The Mission's investment activities are governed by investment policies set by the Board of Directors. These policies include guidelines as to asset categories and mix in accordance with the risk and return objectives established by the Board of Directors and management.

(d) Inventory:

Inventory consists of items purchased for sale in the Mission's thrift shop. Inventory is valued at the lower of weighted average cost and net realizable value. The cost of inventory includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition before distribution for sale. Net realizable value is the estimated selling price in the normal course of operations.

(e) Tangible capital assets:

Tangible capital assets are stated at historical cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives at the following rates and methods:

Asset	Basis	Rate
Buildings	Straight-line	20 years
Equipment	Declining balance	20 to 30%
Automobile	Declining balance	30%
Computer software	Declining balance	30%
Furniture and fixtures	Declining balance	30%
Leasehold improvements	Straight-line	15 to 20 years

Tangible capital assets acquired during the year are amortized starting when they are placed into service. Assets under development are not amortized until completed and available for use.

(f) Intangible asset:

The intangible asset is comprised of costs incurred for the implementation of Salesforce, the Mission's customer relationship management software. Costs capitalized include installation, configuration and other system customization costs subject to capitalization. The asset is amortized over its estimated useful life of 5-years.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2021

2. Significant accounting policies (continued):

(g) Impairment of long-term assets:

The Mission reviews the carrying value of its tangible capital and intangible assets for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to the Mission's ability to provide goods and 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.

(h) Revenue recognition:

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

Restricted contributions related to general operations are recognized as revenue in the General Fund in the year in which the related expenses are incurred. Restricted contributions designated for other specified purposes and related to capital assets are recorded in the Designated Fund and Capital Asset Fund, respectively, when received.

Unrestricted contributions are recognized as revenue in the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations revenue is recorded when received.

Investment income is recognized as revenue in the year it is earned.

Other income is recognized as revenue when due or earned.

(i) Donated materials and services:

Donated materials are recorded at fair value when fair value can be reasonably estimated.

A substantial number of volunteers contribute a significant amount of time to the Mission each year. Because of the difficulty in determining their fair value, these contributed services are not recognized in these financial statements.

(j) Employee future benefits:

The Mission and its employees contribute to a defined contribution group RRSP plan. Contributions made by the Mission to the plan are expensed as incurred.

(k) 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 Mission has not made this election.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs, incurred on acquisition and financing costs, which are amortized using the straight-line method.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2021

2. Significant accounting policies (continued):

(k) Financial instruments (continued):

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 Mission 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 Mission 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.

(l) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts 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. An area requiring the use of management estimates includes the determination of useful lives of tangible capital assets for purposes of amortization and provision for contingencies. Actual results could differ from these estimates.

3. Tangible capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 85,400	\$ -	\$ 85,400	\$ 85,400
Buildings	244,367	244,367	-	-
Equipment	2,260,652	1,990,944	269,708	236,982
Automobile	963,511	870,022	93,489	133,556
Computer software	87,485	78,907	8,578	12,254
Furniture and fixtures	1,110,083	996,985	113,098	148,607
Leasehold improvements	936,017	727,015	209,002	249,021
	5,687,515	4,908,240	779,275	865,820
Building project under development	29,686,827	-	29,686,827	13,243,902
	\$ 35,374,342	\$ 4,908,240	\$ 30,466,102	\$ 14,109,722

Amortization of \$213,224 (2020 - \$237,875) is included in properties and infrastructure expenses in the statement of operations.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2021

3. Tangible capital assets (continued):

The building project under development relates to the development of a new multi-storey Women and Family Recovery Centre (the "Centre") on the site of the Mission's previous operations on Cordova Street. The new facility and operations will be a place for women and children to heal, stabilize, and sustain long-term recovery by expanding the Mission's current wrap-around services as well as providing a recovery program and supportive housing.

To date, the costs incurred for the Centre project have been funded by the Foundation through donations and grant contributions raised by the Mission and the Foundation, which are then contributed to and maintained by the Foundation as part of the Women and Family Recovery Centre Fund (note 7(c)) in accordance with the Foundation's purpose.

During the prior fiscal year, Housing, the then legal and beneficial owner of the Cordova Street land parcel on which the Centre is being built, executed a redevelopment license to the Mission, effective retroactive to October 31, 2018, which provided the Mission the right to construct on the property. In addition, the land parcel was transferred from Housing to the Foundation through a gift agreement effective April 1, 2020. Upon receipt of the land, the Foundation provided a ground lease to the Mission, which allows the Mission to construct a building or otherwise enjoy the land.

As developer of the Centre, the Mission is responsible for the financial commitments of the project (note 11(b)) until completion of the project. Upon completion of the Centre project in 2022, it is expected that the Mission will transfer the building to the Foundation, as the ultimate owner, and Mission will provide all programming, housing, and related services within the facility.

4. Intangible asset:

	2021	2020
Intangible asset	\$ 224,272	\$ 224,272
Accumulated amortization	(89,708)	(44,854)
	<u>\$ 134,564</u>	<u>\$ 179,418</u>

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$42,174 (2020 - \$160,819), which includes amounts payable to WorkSafe BC and the Minister of Finance.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2021

6. Due from (to) related parties:

	2021	2020
Due from related parties - current:		
Union Gospel (Heatley) Housing Society	\$ 897,911	\$ 714,800
Union Gospel Housing Society	57,046	356,634
	<u>\$ 954,957</u>	<u>\$ 1,071,434</u>
Due to related parties - current:		
Union Gospel Mission Foundation	\$ 6,728,584	\$ 3,705,095

The current amounts due to or from related parties have no set terms for repayment and are payable on demand. Amounts due to or from the Foundation are non-interest bearing. All other amounts bear interest at the Vancouver City Savings Credit Union ("Vancity") prime rate plus 0.75% (2020 - Vancity prime rate plus 0.75%).

7. Related party transactions:

(a) During the year, the Mission had the following related party transactions:

	2021	2020
	Received (paid)	Received (paid)
Union Gospel (Heatley) Housing Society:		
Interest on related party balances (note 6)	\$ 26,314	\$ 31,112
Office and housing rent	(112,500)	(112,500)
Tenant services	30,000	54,000
Thrift store rental	(84,079)	(84,892)
Thrift store property tax	(27,340)	(26,306)
Union Gospel Housing Society:		
Interest on related party balances (note 6)	4,204	22,750
Union Gospel Mission Foundation:		
Rent for the use of the Hastings Street and New Westminster buildings	(590,222)	(591,766)

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

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2021

7. Related party transactions (continued):

- (b) During the year, the Mission made the following donations to the Foundation which are included in Gifts to qualified donees:

	2021	2020
Unrestricted donations:		
Legacy and estate gifts	\$ 2,012,645	\$ 1,441,708
Other gifts	5,100,000	2,900,000
	7,112,645	4,341,708
Restricted donations:		
Women and Family Recovery Centre project	2,560,274	6,872,053
	\$ 9,672,919	\$ 11,213,761

- (c) During the year, the Mission received the following donations from the Foundation which are included in General and Other donations:

	2021	2020
Unrestricted donations - other	\$ 1,675,212	\$ 453,271
Restricted donations - Women and Family Recovery Centre project costs	16,901,079	10,819,908
	\$ 18,576,291	\$ 11,273,179

The Centre is funded by the Women and Family Recovery Centre Fund established and maintained by the Foundation. The Foundation performs a financial stewardship role with respect to the Fund, receiving all donations and grants towards the Centre, holding such funds, and disbursing such funds towards construction and other project related expenditures on behalf of the Mission. As a qualified donee, the Mission receives all such disbursements as donations from the Foundation.

- (d) Certain expenses incurred by the Mission are shared services costs and are allocated and charged to each of the related entities on a pro-rata share basis. The Mission also charges fees for administration rendered to the related parties. The amounts recovered from affiliated entities totaled \$1,281,419 (2020 - \$1,227,984) and are recorded as recovery against the relevant expenses incurred.

8. Note payable to BCHMC and loan receivable from related party:

The Mission entered into a Proposal Development Funding loan agreement with BC Housing Management Commission ("BCHMC") with respect to the capital funding of the Centre development.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2021

8. Note payable to BCHMC and loan receivable from related party (continued):

The promissory note is non-interest bearing, repayable on demand, and may be repaid with future funding arrangements with BCHMC or may be forgiven under certain conditions stipulated under the agreement.

This BCHMC loan funding has been advanced to the Foundation and hence has been recorded as a loan receivable from the Foundation. The loan receivable is non-interest bearing, has no set terms for repayment and is payable on demand.

9. Non-consolidated entities:

Housing operates a social housing project, Orchard. Heatley operates two social housing projects, Maurice McElrea Place and Hastings. The Foundation, a registered charity under the Income Tax Act, was established in October 2001 to raise, distribute and administer funding and support for the programs and activities of the Mission.

Housing and Heatley are incorporated under the *Societies Act* (British Columbia) and are not-for-profit organizations under the Income Tax Act.

Housing, Heatley, and the Foundation have not been consolidated in the Mission's financial statements. Financial summaries of these non-consolidated entities are as follows as at June 30:

	2021	2020
Assets:		
Total assets	\$ 42,714,894	\$ 50,054,979
Liabilities and net assets:		
Total liabilities	\$ 15,584,407	\$ 15,523,727
Total net assets	27,130,487	34,531,252
	\$ 42,714,894	\$ 50,054,979
Results of operations:		
Total revenue	\$ 14,394,214	\$ 15,173,270
Total expenses	(3,412,753)	(3,403,075)
	\$ 10,981,461	\$ 11,770,195
Cash flow activities:		
Total cash provided by (used in) operating activities	\$ (9,261,197)	\$ 1,499,496
Total cash provided by (used in) investing activities	(77,264)	(151,394)
Total cash used in financing activities	(233,171)	(205,907)
Increase (decrease) in cash	(9,571,632)	1,142,195
Cash, beginning of year	19,643,418	18,501,223
Cash, end of year	\$ 10,071,786	\$ 19,643,418

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2021

10. Bank credit facility and contingent liability:

The Mission is included as a co-borrower, together with the Foundation in respect of a \$1.5 million operating credit facility arranged with Vancouver City Savings Credit Union ("Vancity"). The credit facility is with interest rates at Vancity prime plus 0.75% per annum. As at June 30, 2021 there was no outstanding balance under this facility (2020 - nil).

The Mission and the Foundation together arranged credit facilities with the BCHMC, the Royal Bank of Canada ("RBC") and Vancity for construction of the Hastings building, which is owned by the Foundation. The building was completed in 2011, the Vancity line of credit was repaid, and the RBC mortgage was renewed with the Peoples Trust Company ("PTC"). However, the Mission remains contingently liable for the BCHMC and the PTC loans, which together totaled \$10,991,176 (2020 - \$11,126,059) as at year-end. Management does not believe any liability will arise from the Foundation's \$5,000,000 forgivable loan from BCHMC, and, accordingly, no amount has been accrued in either the Mission or Foundation's financial statements.

11. Commitments:

- (a) The Mission has five-year lease agreements for office equipment expiring August 31, 2023 and a property lease agreement expiring September 30, 2021.

The minimum payments under the lease agreements until maturity are as follows:

2022	\$	31,056
2023		26,856
	\$	57,912

- (b) The Mission has entered into various third-party supply agreements with committed payments related to the Centre development (note 3) in the amount of \$3,524,975 for the 2022 fiscal year.

12. Financial risks and concentrations of risks:

- (a) Liquidity risk:

Liquidity risk is the risk that the Mission will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Mission manages its liquidity risk by monitoring its operating requirements. The Mission prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2021

12. Financial risks and concentrations of risks (continued):

(b) Credit risk:

Credit risk is the risk of economic loss arising from a party's failure to repay or service debt according to contractual terms. Financial instruments that potentially subject the Mission to concentrations of credit risk consist of cash and cash equivalents and receivables. The Mission has deposited cash and cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote. Management does not believe the Mission is subject to any significant credit risks related to its accounts receivable or amounts due from related parties.

(c) Interest rate risk:

The Mission is exposed to interest rate risks on its due to/from related party balances (note 6) which has a floating rate of interest which is subject to cash flow risk.

There has been no significant change to the risk exposures from the prior year.

13. Disclosure of remuneration:

The *Societies Act* (British Columbia) has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors. For the fiscal year ending June 30, 2021, the Mission paid total remuneration of \$1,520,174 (2020 - \$1,376,336) to the top ten employees for services, each of whom received total annual remuneration of \$75,000 or greater. No remuneration was paid to any members of the Board of Directors.

14. Subsequent event:

Subsequent to June 30, 2021, the Mission entered into a \$2,000,000 forgivable loan agreement with BCHMC and received the full loan proceeds to fund the Centre project, secured by a charge over the real property. Repayment of principal and interest will not be required unless the land ceases to be used for the intended purposes, being the development and provision of a minimum of 63 affordable housing units to eligible occupants.

The Mission also entered into a \$11,375,000 forgivable loan agreement with CMHC and have received \$6,090,000 of the proceeds to fund the Centre project as at the auditors' report date. The CMHC forgivable loan is secured by a fixed and floating charge over the real property and other assets. Repayment of principal and interest will not be required unless the land ceases to be constructed and operated in accordance with specified affordability, accessibility, and energy efficiency criteria.

15. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

UNION GOSPEL MISSION

Schedule of Expenses

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

	2021	2020
Salaries and benefits	\$ 14,261,999	\$ 12,538,881
Newsletters and campaign appeals	1,304,271	1,414,260
Gifts-in-kind used	1,138,632	1,256,928
Food and kitchen supplies and services	1,037,975	1,243,960
Programs and events	909,436	771,526
Office supplies and services	847,014	795,285
Rental of facilities	826,401	828,758
Property taxes, utilities, and insurance	520,319	482,015
Building maintenance and repairs supplies and services	432,570	594,481
Fundraising and marketing	430,990	430,987
Staff training and development	394,956	285,693
Professional and consulting services	325,039	313,848
Bank charges and interest	264,387	243,252
Amortization of capital assets	213,224	237,875
Non-recovered goods and services taxes	108,718	105,599
Miscellaneous	106,330	95,989
Amortization of intangible asset	44,854	44,854
Total expenses	23,167,115	21,684,191
Less recoveries from affiliated entities (note 7(d))	1,281,419	1,227,984
	\$ 21,885,696	\$ 20,456,207