Financial Statements of

UNION GOSPEL MISSION FOUNDATION

And Independent Auditors' Report Thereon

Year ended June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Union Gospel Mission Foundation

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Union Gospel Mission Foundation (the "Entity"), which comprise:

- the statement of financial position as at June 30, 2022
- 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 Entity as at June 30, 2022 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
October 20, 2022

UNION GOSPEL MISSION FOUNDATION

Statement of Financial Position

June 30, 2022, with comparative information for 2021

	General Fund	Capital Asset Fund	Women and Family Recovery Centre Fund	Internally Restricted Funds	Total 2022	Total 2021
Assets						
Current assets:						
Cash and cash equivalents	$ 26,234,633	$ -	$ -	$ -	$ 26,234,633	$ 8,832,809
Amounts recoverable	289	-	-	-	289	317
Due from related party (note 4)	-	-	-	-	-	6,728,584
Interfund balance (note 5)	2,663,758	-	(2,663,758)	-	-	-
	28,898,680	-	(2,663,758)	-	26,234,922	15,561,710
Tangible capital assets (note 3)	-	17,620,548	-	-	17,620,548	18,210,170
Restricted cash and cash equivalents (note 6)	-	-	-	964,537	964,537	690,016
Due from related party (note 4)	921,881	-	-	-	921,881	1,410,607
	$ 29,820,561	$ 17,620,548	$ (2,663,758)	$ 964,537	$ 45,741,888	$ 35,872,503
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities	$ 34,848	$ 12,198	$ 296,710	$ -	$ 343,756	$ 2,843,875
Due to related party (note 4)	226,924	-	-	-	226,924	11,845
Loan payable to related party (note 4)	-	-	-	-	-	937,049
Current portion of mortgage payable (note 7)	-	179,645	-	-	179,645	175,185
	261,772	191,843	296,710	-	750,325	3,967,954
Mortgage payable (note 7)	-	5,636,346	-	-	5,636,346	5,815,991
	261,772	5,828,189	296,710	-	6,386,671	9,783,945
Net assets:						
Unrestricted	29,558,789	-	(2,960,468)	-	26,598,321	13,192,113
Invested in capital assets	-	11,792,359	-	-	11,792,359	12,206,429
Internally restricted (note 8)	-	-	-	964,537	964,537	690,016
	29,558,789	11,792,359	(2,960,468)	964,537	39,355,217	26,088,558
Related party transactions (note 5)						
Contingent liabilities (note 10)						
Commitments (note 11)						
	$ 29,820,561	$ 17,620,548	$ (2,663,758)	$ 964,537	$ 45,741,888	$ 35,872,503

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

UNION GOSPEL MISSION FOUNDATION

Statement of Operations

Year ended June 30, 2022 with comparative information for 2021

	General Fund	Capital Asset Fund	Women and Family Recovery Centre Fund	Total 2022	Total 2021
Revenue:					
General donations	$ 429,612	$ -	$ -	$ 429,612	$ 372,712
Legacy gifts	344,158	-	-	344,158	1,262,194
Donation from Union Gospel Mission (note 5)	4,379,292	-	15,913,082	20,292,374	9,672,919
Other restricted donations	-	-	-	-	57,667
Rent (note 5)	-	589,621	-	589,621	590,222
	5,153,062	589,621	15,913,082	21,655,765	11,955,714
Other revenues:					
Interest income (note 5)	205,621	-	-	205,621	145,420
	5,358,683	589,621	15,913,082	21,861,386	12,101,134
Expenses:					
Public education and resource development	41,370	-	-	41,370	23,605
General administration	18,697	-	-	18,697	21,067
Amortization on buildings	-	589,621	-	589,621	590,222
Interest on long-term debt	-	148,405	-	148,405	243,838
	60,067	738,026	-	798,093	878,732
Excess (deficiency) of revenue over expenses before gifts to qualified donee	5,298,616	(148,405)	15,913,082	21,063,293	11,222,402
Gifts to qualified donee (note 5)	(1,955,092)	-	(5,841,542)	(7,796,634)	(18,576,291)
Excess (deficiency) of revenue over expenses	$ 3,343,524	$ (148,405)	$ 10,071,540	$ 13,266,659	$ (7,353,889)

See accompanying notes to financial statements.

UNION GOSPEL MISSION FOUNDATION

Statement of Changes in Net Assets

Year ended June 30, 2022 with comparative information for 2021

	General Fund	Capital Asset Fund	Women and Family Recovery Centre Fund (note 5(c))	Internally Restricted Funds	Total 2022	Total 2021
Net assets, beginning of year	$ 26,224,121	$ 12,206,429	$ (13,032,008)	$ 690,016	$ 26,088,558	$ 33,442,447
Excess (deficiency) of revenue over expenditures	3,343,524	(148,405)	10,071,540	-	13,266,659	(7,353,889)
Interfund transfers (note 8)	(8,856)	(265,665)	-	274,521	-	-
Net assets, balance, end of year	$ 29,558,789	$ 11,792,359	$ (2,960,468)	$ 964,537	$ 39,355,217	$ 26,088,558

See accompanying notes to financial statements.

UNION GOSPEL MISSION FOUNDATION

Statement of Cash Flows

Year ended June 30, 2022 with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenditures	$ 13,266,659	$ (7,353,889)
Item not involving cash:		
Amortization of capital assets	589,621	590,222
Changes in non-cash operating working capital:		
Amounts recoverable	28	1,466
Accounts payable and accrued payables	(2,500,118)	419,751
Due from/to related parties	6,943,663	(3,000,911)
	18,299,853	(9,343,361)
Investing:		
Increase in advances to (repayments from) related party	488,726	(44,550)
Loan repayment to related party	(937,049)	-
	(448,323)	(44,550)
Financing:		
Repayment of mortgage payable	(175,185)	(134,883)
Increase (decrease) in cash	17,676,345	(9,522,794)
Cash and cash equivalents, beginning of year	9,522,825	19,045,619
Cash and cash equivalents, end of year	$ 27,199,170	$ 9,522,825
Cash and cash equivalents consists of:		
Unrestricted amounts	$ 26,234,633	$ 8,832,809
Restricted amounts	964,537	690,016
	$ 27,199,170	$ 9,522,825

See accompanying notes to financial statements.

1. Operations:

Union Gospel Mission Foundation ("Foundation") 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 registered charity under the *Income Tax Act.*

The purpose of the Foundation is to promote the efficiency and effectiveness of Union Gospel Mission's (the "Mission") charitable programs by providing and maintaining facilities for this purpose, and receiving, maintaining and administering funds for this purpose, as well as for the Foundation and other "qualified donees" charitable endeavors. "Qualified donees" is as defined in subsection 149.1 (1) of the Income Tax Act (Canada).

2. Significant accounting policies:

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

(a) Fund accounting:

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

(*i*) The General Fund reports the Foundation's unrestricted resources and operating activities.

(*ii*) The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Foundation's capital assets.

(*iii*) Restricted funds report resources established for specific purposes. The Foundation maintains the Women and Family Recovery Centre Fund that was established in 2016 to fund the Women and Family Recovery Centre (notes 3(a) and 5(c)).

(*iv*) Internally restricted funds report resources internally allocated by the Foundation for specific purposes as follows:

- The Building Maintenance Fund funds and supports major renovations required for the Foundation's and Mission's non-housing facilities.
- The Social Enterprise Fund funds and supports start-up costs for the Mission's new social enterprises.
- The New Initiatives and Innovation Fund funds and supports initial costs of projects within the Foundation's long-term strategic plan, as well as innovative measures within its organizational culture.

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

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.

(b) Cash and cash equivalents:

Cash includes cash and cash equivalents. Cash equivalents consist of highly liquid investments that can be readily convertible to cash, normally with maturities of three months or less at date of purchase.

The Foundation'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.

(c) Tangible capital assets:

Tangible capital assets are stated at cost less accumulated amortization. Contributed assets are recorded at fair value at the date of contribution. Tangible capital assets are amortized over their estimated useful lives at the following rates and methods:

Asset	Basis	Rate
Buildings - Hastings	Straight-line	35 years
Buildings - New Westminster	Declining balance	30%
Building improvements	Declining balance	20%

Tangible capital assets acquired during the year are amortized starting when they are placed into service.

(d) Impairment of long term assets:

The Foundation reviews the carrying value of tangible capital assets for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to the Foundation'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 net asset exceeds its fair value or replacement cost.

2. Significant accounting policies (continued):

(e) Revenue recognition:

The Foundation 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 are recorded in the appropriate established restricted funds 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.

Investment income is recognized as revenue in the respective fund when earned.

Other income is recognized as revenue when due or earned.

(f) 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 Foundation 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.

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 Foundation 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 Foundation 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.

(g) Measurement uncertainty:

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. An area requiring the use of management estimates include the determination of useful lives of tangible capital assets for purposes of amortization. Actual results could differ from these estimates.

3. Tangible capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land (a)	$ 3,720,367	$ -	$ 3,720,367	$ 3,720,367
Buildings	20,515,582	6,633,093	13,882,489	14,467,687
Building improvements	272,239	254,547	17,692	22,116
	$ 24,508,188	$ 6,887,640	$ 17,620,548	$ 18,210,170

(a) The Foundation continues to fund the development of a new multi storey Women and Family Recovery Centre (the "Cordova") on the site of the Mission's previous operations on Cordova Street (note 5(c)). The Cordova asset is recorded in the Mission's financial statements and the funding provided by the Foundation is recorded as a gift to the Mission.

The construction of the Cordova has been substantially completed and operations commenced during the year.

4. Due from (to) related parties:

	2022	2021
Due from related party - current: (a)		
Union Gospel Mission	$ -	$ 6,728,584
Due from related party - long-term: (b)		
Union Gospel Housing Society	$ 921,881	$ 1,410,607
Due to related party - current: (a)		
Union Gospel Mission	$ 226,924	$ -
Union Gospel (Heatley) Housing Society	-	11,845
Loan payable to related party: (c)		
Union Gospel Mission	$ -	$ 937,049

(a) The current amounts due from and to related parties have no set terms for repayment and are payable on demand.

(b) The long-term amount due from a related party has no set terms for repayment and is payable on demand. As the parties have agreed that the amount will not be demanded in the subsequent year, this has been classified as long-term in these financial statements.

Amounts due to or from the Mission are non-interest bearing. All other amounts bear interest at the Vancouver City Savings Credit Union ("Vancity") prime rate plus 0.75% (2021 - Vancity prime rate plus 0.75%).

4. Due from (to) related parties (continued):

(c) The loan payable to the Mission was non-interest bearing, had no set terms for repayment and was payable on demand. The loan payable arose from funding received by the Mission from the B.C. Housing Management Commission ("BCHMC") for the development of the Cordova, the proceeds which had been advanced to the Foundation. During the year, this amount was fully settled by applying a portion of the proceeds received by Mission under a $2,000,000 forgivable loan agreement with BCHMC.

5. Related party transactions:

The Mission, Union Gospel Housing Society, Union Gospel (Heatley) Housing Society and the Foundation, all have the same individuals on each of their respective Board of Directors.

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

		2022 Received		2021 Received
Union Gospel Housing Society:				
Interest on related party balances (note 4)	$	41,273	$	44,550
Union Gospel (Heatley) Housing Society:				
Interest on related party balances (note 4)	$	-	$	69
Union Gospel Mission:				
Rental of the Hastings and New Westminster buildings	$	589,621	$	590,222

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.

(b) Included in gifts and donations are amounts received by the Foundation from the Mission as follows:

		2022		2021
Unrestricted donations:				
Legacy and estate gifts	$	3,379,292	$	2,012,645
Other		1,000,000		5,100,000
		4,379,292		7,112,645
Restricted donations:				
Women and Family Recovery Centre project		15,913,082		2,560,274
	$	20,292,374	$	9,672,919

5. Related party transactions (continued):

(c) In support of the Mission's operations, the Foundation made donations to the Mission as follows:

		2022		2021
Unrestricted donations - Other	$	1,955,092	$	1,675,212
Restricted donations - Women and Family Recovery Centre building costs		5,841,542		16,901,079
	$	7,796,634	$	18,576,291

The Mission was the builder and developer of the Cordova. As part of its purpose in supporting the programs and activities of the Mission, the Foundation established and maintains the Women and Family Recovery Centre Fund for the purpose of funding the Cordova project.

The Foundation's responsibility for the Cordova project is one of financial stewardship and includes the receipt of all donations and grants towards the Cordova project, the holding of such funds, and the disbursement of such funds towards construction and other project related expenditures on behalf of the Mission. All such disbursements are donated to the Mission as a qualified donee.

As at June 30, 2022, the total disbursements donated to the Mission towards the Cordova project exceeded the donations and grants collected by the Foundation for the Cordova project's purpose which resulted in a net deficit of $2,960,468 (2021 - $13,032,008) in the Women and Family Recovery Centre Fund. This deficit, funded by the General Fund and recorded as interfund receivable/payable, is intended to be primarily repaid and settled from additional committed funding of $2,783,656 to be received towards the Cordova project. The Mission has raised pledges from private donors totalling $1,388,240 to be received during 2023 and 2024. In addition, the Mission will be receiving the remaining $1,395,416 proceeds of the $11,375,000 Canada Mortgage and Housing Corporation forgivable loan agreement which it entered into during the year for funding to be used towards the Cordova project (note 10).

As at June 30, 2022, any remaining financial commitments for the Cordova project costs are the responsibility of the Mission (note 11).

6. Restricted cash and cash equivalents:

Restricted cash and cash equivalents represent funds designated for meeting the requirements of the restricted funds.

7. Mortgage payable:

	2022	2021
Mortgage payable to the Peoples Trust Company, due on May 1, 2031, repayable in monthly installments of $26,996 including principal and interest at 2.53% per annum, secured by an assignment of the Original Mortgage Agreement and Assignment of Rents Agreement with BCHMC	$ 5,815,991	$ 5,991,176
Less current portion	179,645	175,185
	$ 5,636,346	$ 5,815,991

Annual principal repayments on mortgage payable in the next five years and thereafter are as follows:

2023	$ 179,645
2024	184,219
2025	188,909
2026	193,718
2027	198,650
Thereafter	4,870,850
	$ 5,815,991

8. Internally restricted funds and interfund transfers:

Internally restricted funds consist of the following:

	Building Maintenance Fund	Social Enterprise Fund	New Initiatives and Innovation Fund	Total
Balance, beginning of year	$ 351,768	$ 90,748	$ 247,500	$ 690,016
Transfers in from General Fund Funding during the year	-	-	500,000	500,000
Transfers out to General Fund Expenditures during the year	(156,267)	-	(69,212)	(225,479)
Balance, end of year	$ 195,501	$ 90,748	$ 678,288	$ 964,537

Other interfund transfers during the year consist of a transfer of $265,665 from the Capital Asset Fund to General Fund for net receipts of rent collected over mortgage payments paid.

9. Bank credit facility:

The Foundation is included as a co-borrower, together with the Mission, in respect of a $1.5 million operating credit facility arranged with Vancity. The facility bears interest at the Vancity prime rate plus 0.75% per annum. As at June 30, 2022, there was no outstanding balance under this facility (2021 - nil).

10. Contingent liabilities:

(a) The Foundation and the Mission previously entered into a forgivable loan agreement with BCHMC, which is secured by a second charge over the real property. The loan amount of $5,000,000 was used to fund the construction of the Hastings building. Repayment of principal and interest will not be required unless the land ceases to be used for the intended purposes, being the development of a minimum of 150 transitional housing units operated for the benefit of “Eligible Occupants”.

Provided the applicable criteria is met, the loan is and will be forgiven at the rate of 1/25 of the outstanding balance per year commencing in the 11th year subsequent to completion of the project being 2021. If repayment is required, interest will be calculated at the Royal Bank prime rate plus 2% per annum, compounded semi-annually not in advance. The Mission and Foundation expect to meet the condition over the 35-year period and the Foundation has therefore recorded the $5,000,000 in net assets invested in capital assets.

(b) During the year, the Mission entered into a $2,000,000 forgivable loan agreement with BCHMC and received the full loan proceeds to fund the Cordova project, secured by a charge over the real property and a guarantee by the Foundation. 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.

Provided those applicable criteria are met, a proportionate amount of the loan is forgivable by BCHMC over 25-years commencing the 11th year of the mortgage in 2032 at a rate of $80,000 per year. If repayment is required, interest will be calculated at the Royal Bank prime rate plus 2% per annum, compounded semi-annually not in advance. The Mission expects to meet the condition over the 35-year period and therefore has recorded the $2,000,000 forgivable loan as grant revenue and donated it to the Foundation during the year (note 5(b)).

(c) The Mission also entered into a $11,375,000 forgivable loan agreement during the year with CMHC and received $9,979,584 of the proceeds to fund the Cordova building. A further $903,282 was received subsequent to the year end. 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 operated in accordance with specified affordability, accessibility, and energy efficiency criteria.

10. Contingent liabilities (continued):

(c) (continued):

Provided those applicable criteria are met, a proportionate amount of the loan is forgivable by CHMC over 20-years commencing in the year of the final advance under the agreement. If repayment is required, interest will be calculated at 5% per annum, compounded monthly not in advance. The Mission expects to meet the condition over the 20-year period and therefore has recorded the $9,979,584 forgivable loan as grant revenue and donated it to the Foundation during the year (note 5(b)).

11. Commitments:

The Mission has entered into various third party supply agreements with committed payments remaining related to the Cordova in the amount of $89,366 (2021 - $3,524,975) for the 2023 fiscal year. These committed payments are funded by the Women and Family Recovery Centre Fund maintained by the Foundation (note 5).

12. Financial risks and concentrations of risks:

(a) Liquidity risk:

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

(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 Foundation to concentrations of credit risk consist of cash and cash equivalents and receivables. The Foundation has deposited cash and cash equivalents with large reputable financial institutions, from which management believes the risk of loss to be remote. Management does not believe the Foundation is subject to any significant credit risks related to its accounts receivables or amounts due from related parties.

(c) Interest rate risk:

The Foundation is exposed to interest rate risks on its interest bearing instruments. Its long-term receivable from related party (note 4) has a floating rate of interest which is subject to cash flow risk. The Foundation’s long-term debt (note 7) which has a fixed rate of interest is subject to fair value risk.

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

13. Remuneration disclosure:

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 years ending June 30, 2022 and 2021, the Foundation did not have any employees or contractors with annual remuneration in excess of $75,000, and no member of the Board of Directors received remuneration.