Financial Statements of

UNION GOSPEL HOUSING SOCIETY

And Independent Auditor's Report Thereon

Year ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of 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, 2023
- 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, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

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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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
October 26, 2023

UNION GOSPEL HOUSING SOCIETY

Statement of Financial Position

June 30, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	$ 71,076	$ 10,376
Accounts receivable and accrued receivables	10,067	4,326
Prepaid expenses	67,371	66,210
	148,514	80,912
Capital assets (note 3)	1,569,203	1,657,774
Restricted cash	43,347	44,592
	$ 1,761,064	$ 1,783,278
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 32,713	$ 38,523
Tenant deposits	43,347	44,592
Deferred revenue	3,332	3,370
Due to related party (note 4)	125,859	83,935
	205,251	170,420
Due to related party (note 4)	689,269	921,881
	894,520	1,092,301
Net assets:		
General fund	866,544	690,977
Related party transactions (note 5)		
Commitment (note 7)		
	$ 1,761,064	$ 1,783,278

See accompanying notes to financial statements.

Approved on behalf of the Board:

Jim Barkman

Director

Kathy

Director

UNION GOSPEL HOUSING SOCIETY

Statement of Operations

Year ended June 30, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Residential rents	$ 969,774	$ 960,033
Miscellaneous revenues	10,850	15
Interest and investment income	5,027	1,303
Laundry income	637	695
	986,288	962,046
Expenses:		
Housing administration and programming:		
Administrative services contract (note 5)	35,000	35,000
Audit fees	15,190	12,892
Interest and bank charges (note 5)	56,189	42,671
Non-recovered GST	3,441	2,849
Office supplies and services	1,777	818
Staff salaries and benefits (note 5)	50,586	35,459
Technology costs	1,430	1,968
Tenant services	49,901	16,877
Building and grounds:		
Electricity	7,324	8,872
General maintenance	281,315	264,994
Insurance	50,040	45,686
Property taxes	58,217	62,576
Service contracts	4,218	3,964
Vehicle costs	5,621	4,895
Janitorial supplies and services	1,777	-
Waste removal	18,416	19,019
Water and sewer	73,864	70,289
Other expenses:		
Amortization	96,415	129,316
	810,721	758,145
Excess of revenue over expenses	$ 175,567	$ 203,901

See accompanying notes to financial statements.

UNION GOSPEL HOUSING SOCIETY

Statement of Changes in Net Assets

Year ended June 30, 2023, with comparative information for 2022

	2023	2022
Balance, beginning of year	$ 690,977	$ 487,076
Excess of revenue over expenses	175,567	203,901
Balance, end of year	$ 866,544	$ 690,977

See accompanying notes to financial statements.

UNION GOSPEL HOUSING SOCIETY

Statement of Cash Flows

Year ended June 30, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	$ 175,567	$ 203,901
Items not involving cash:		
Amortization of capital assets	96,415	129,316
Changes in non-cash operating working capital:		
Accounts receivable and accrued receivables	(5,741)	3,249
Prepaid expenses	(1,161)	1,946
Accounts payable and accrued liabilities	(5,810)	14,472
Tenant deposits	(1,245)	2,355
Deferred revenue	(38)	2,173
Due to related party	41,924	26,889
	299,911	384,301
Investing:		
Acquisition of capital assets	(7,844)	(15,291)
Decrease (increase) in restricted cash	1,245	(2,355)
	(6,599)	(17,646)
Financing:		
Repayments to related party	(232,612)	(488,726)
Increase (decrease) in cash	60,700	(122,071)
Cash, beginning of year	10,376	132,447
Cash, end of year	$ 71,076	$ 10,376

See accompanying notes to financial statements.

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 in Surrey, which works in conjunction with Union Gospel Mission (“Mission”), to provide rental housing for low-income individuals.

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 to 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.

(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.

2. Significant accounting policies (continued):

(c) 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 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) 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. 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:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	$ 1,462,500	$ -	$ 1,462,500	$ 1,462,500
Building	5,231,791	5,231,791	-	-
Building improvements	1,740,687	1,657,706	82,981	161,702
Furniture and fixtures	92,389	68,667	23,722	33,572
Automobile	36,497	36,497	-	-
	$ 8,563,864	$ 6,994,661	$ 1,569,203	$ 1,657,774

4. Due to related party:

	2023	2022
Due to related party - current:		
Union Gospel Mission	$ 125,859	$ 83,935
Due to related party - long-term:		
Union Gospel Mission Foundation	$ 689,269	$ 921,881

4. Due to related party (continued):

The current amount due to a related party has no set terms for repayment and is payable on demand. The amount bears interest at the Vancouver City Savings Credit Union (“Vancity”) prime rate plus 0.75% (2022 - Vancity prime rate plus 0.75%).

The long-term amount due to a 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 bears interest at the Vancity prime rate plus 0.75% (2022 - 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 Union Gospel Mission Foundation (“Foundation”) as they have the same individuals on each of their respective Board of Directors.

5. Related party transactions:

During the year, the Mission charged the Society $35,000 (2022 - $35,000) for administration services, $50,586 (2022 - $35,459) for salaries, wages and benefits and $3,800 (2022 - $1,397) for interest on related party balances (note 4).

The Foundation charged the Society $52,389 (2022 - $41,274) for interest on related party balances (note 4).

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

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, 2023, no employees or contractors received annual remuneration of $75,000 or greater (2022 - $75,000 no employees), and no members of the Society’s Board of Directors received any remuneration.

7. Commitment:

The Society has entered into an agreement for tenant support services with committed payments of $48,198 per annum to be paid on or before March 2024.

8. Financial risks and concentrations of risks:

(a) Liquidity risk:

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

8. 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 Society to concentrations of credit risk consist of cash and receivables. The Society has deposited cash with large reputable financial institutions, from which management believes the risk of loss to be remote. Management does not believe the Society is subject to any significant credit risks related to its accounts receivable.

(c) Interest rate risk:

The Society is exposed to interest rate risks on its due to related party balances (note 4) 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.