

Financial Statements of

UNION GOSPEL (HEATLEY) HOUSING SOCIETY

And Independent Auditor's Report Thereon

Year ended June 30, 2024



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Union Gospel (Heatley) Housing Society

Report on the Audit of Financial Statements

Opinion

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

- the statement of financial position as at June 30, 2024
- the statement of revenue and expenses for the year then ended
- the statement of changes in net assets (deficiencies) 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 as at and for the year ended June 30, 2024 of the Society are prepared, in all material respects, in accordance with the financial reporting provisions of sections 5.11 and 5.12 of the operating agreements for Maurice McElrea Place and Hastings Street (collectively, the "Agreements") between the Society and British Columbia Housing Management Commission ("BCHMC").

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.

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 2 in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of sections 5.11 and 5.12 of the Agreements between the Society and BCHMC; this includes determining that the applicable financial reporting framework is an acceptable basis for the preparation of the financial statements in the circumstances, 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.
- 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 the financial statements in accordance with the financial reporting provisions of the Agreements between the Society and BCHMC 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 24, 2024

UNION GOSPEL (HEATLEY) HOUSING SOCIETY

Statement of Financial Position

June 30, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	\$ 1,210,410	\$ 370,143
Accounts receivable and accrued receivables	8,075	11,785
Due from related parties (note 8)	430	305
Prepaid expense	21,655	18,930
	<u>1,240,570</u>	<u>401,163</u>
Capital assets (note 4)	1,972,450	2,123,481
Prepaid land lease (note 5)	549,843	564,218
Restricted cash (note 6)	1,599,783	1,499,046
	<u>\$ 5,362,646</u>	<u>\$ 4,587,908</u>

Liabilities and Net Assets (Deficiencies)

Current liabilities:		
Accounts payable and accrued liabilities	\$ 106,878	\$ 84,281
Tenant deposits	44,945	42,555
Deferred revenue	77,090	64,893
Current portion of mortgage payable (note 7)	158,496	152,053
	<u>387,409</u>	<u>343,782</u>
Mortgage payable (note 7)	2,605,801	2,764,297
Due to related party (note 8)	2,655,894	1,772,422
	<u>5,649,104</u>	<u>4,880,501</u>
Net assets (deficiencies):		
General fund	(1,841,296)	(1,749,084)
Replacement reserve (note 10)	1,554,838	1,456,491
	<u>(286,458)</u>	<u>(292,593)</u>
Continuing operations (note 1)		
Related party transactions (note 9)		
Commitment (note 12)		
	<u>\$ 5,362,646</u>	<u>\$ 4,587,908</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

UNION GOSPEL (HEATLEY) HOUSING SOCIETY

Statement of Revenue and Expenses

Year ended June 30, 2024, with comparative information for 2023

	2024	2023
Revenue:		
BC Housing subsidy	\$ 940,771	\$ 565,019
Residential rents	844,094	700,688
Commercial rents (note 9)	85,214	85,107
Interest income (note 9)	34,444	14,137
Laundry income	9,154	6,485
Miscellaneous revenue	6,374	1,441
	<u>1,920,051</u>	<u>1,372,877</u>
Expenses:		
Housing administration and programming:		
Administrative services contract (note 9)	84,000	70,000
Audit fees	14,239	16,690
Bad debts	12,946	22,479
Interest and bank charges (note 9)	186,527	96,140
Legal fees	-	3,133
Non-recoverable GST	33,279	45,218
Office supplies and services	2,730	7,281
Other professional services	2,400	-
Staff salaries and benefits (note 9)	216,084	183,637
Technology costs	10,317	4,766
Tenant services	114,756	102,900
	<u>677,278</u>	<u>552,244</u>
Building and grounds:		
Building costs from related party (note 9)	534,745	551,897
Electricity	35,034	33,445
General maintenance	146,600	159,397
Heating fuel	18,146	18,858
Insurance	75,095	68,533
Janitorial	114,323	93,384
Property taxes, net (note 9)	4,627	3,747
Replacement reserve provision	52,416	52,416
Service contracts	45,401	38,138
Waste removal	8,842	6,022
Water and sewer	16,524	15,421
	<u>1,051,753</u>	<u>1,041,258</u>
Other expenses:		
Amortization of capital assets	151,031	178,090
Amortization of prepaid land lease	14,375	14,375
Mortgage interest	117,826	118,710
	<u>283,232</u>	<u>311,175</u>
	<u>2,012,263</u>	<u>1,904,677</u>
Deficiency of revenue over expenses	\$ (92,212)	\$ (531,800)

See accompanying notes to financial statements.

UNION GOSPEL (HEATLEY) HOUSING SOCIETY

Statement of Changes in Net Assets (Deficiencies)

Year ended June 30, 2024, with comparative information for 2023

	General fund	Replacement reserve (note 10)	Total 2024	Total 2023
Balance, beginning of year	\$ (1,749,084)	\$ 1,456,491	\$ (292,593)	\$ 133,928
Deficiency of revenue over expenses	(92,212)	-	(92,212)	(531,800)
Replacement reserve provision	-	52,416	52,416	52,416
Replacement reserve investment income	-	73,204	73,204	55,791
Replacement reserve disbursements	-	(27,273)	(27,273)	(2,928)
Balance, end of year	\$ (1,841,296)	\$ 1,554,838	\$ (286,458)	\$ (292,593)

See accompanying notes to financial statements.

UNION GOSPEL (HEATLEY) HOUSING SOCIETY

Statement of Cash Flows

Year ended June 30, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (92,212)	\$ (531,800)
Items not involving cash:		
Amortization of capital assets	151,031	178,090
Amortization of prepaid land lease	14,375	14,375
Changes in non-cash operating working capital:		
Accounts receivable and accrued receivables	3,710	(7,731)
Prepaid expense	(2,725)	8,851
Accounts payable and accrued liabilities	22,597	(35,896)
Deferred revenue	12,197	14,179
Amounts due to/from related parties	(125)	(305)
	108,848	(360,237)
Financing:		
Principal repayment on mortgage payable	(152,053)	(149,161)
Financing received from related party	883,472	628,979
	731,419	479,818
Increase in cash	840,267	119,581
Cash, beginning of year	370,143	250,562
Cash, end of year	\$ 1,210,410	\$ 370,143
Non-cash transaction:		
Acquisition of capital assets funded through replacement reserve	\$ -	\$ 3,117

See accompanying notes to financial statements.

UNION GOSPEL (HEATLEY) HOUSING SOCIETY

Notes to Financial Statements

Year ended June 30, 2024

1. Operations and basis of presentation:

Union Gospel (Heatley) 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 two housing projects: Maurice McElrea Place Division and Hastings Division (the “Divisions”). Maurice McElrea Place Division, located on Heatley Avenue, Vancouver works in conjunction with Union Gospel Mission (the “Mission”) to provide fixed term rental housing for low-income individuals. Hastings Division, located on East Hastings Street, Vancouver works in conjunction with the Mission to provide affordable transitional housing for individuals who are homeless or at high risk of becoming homeless because of a physical, social, or mental condition or disability.

For the year ended June 30, 2024, the Society incurred a deficit of \$92,212 (2023 - \$531,800) and has a net deficiency of \$286,458 (2023 - \$292,593). The ability of the Society to continue as a going concern is dependent on the continued financial support from Mission and the Society’s ability to improve its revenue streams and to increase operating efficiencies by leveraging B.C. Housing’s subsidy program(s) and technology opportunities. Based on the projected additional funding and cashflow forecasts, management believes that the Society will be able to continue operations. Management will continue to monitor the on-going financial impact on its cash and budget forecasts and will be adjusting its operations as required to ensure it fulfills its obligations and continues its operations.

2. Basis of accounting:

These financial statements have been prepared in accordance with the financial reporting provisions of sections 5.11 and 5.12 of the operating agreements (“Agreements”) with BC Housing Management Commission (“BCHMC”). These financial statements are prepared to assist the Society to meet the requirements of BCHMC. As a result, these financial statements may not be suitable for another purpose.

Management of the Society has prepared these financial statements in a manner consistent with generally accepted accounting principles (“GAAP”) with some differences as noted below. Management has interpreted GAAP to be the recognition and measurement principles of Canadian Accounting Standards for Not-for-Profit Organizations (“ASNFP0”).

The basis of accounting used in these financial statements materially differs from ASNFP0 as follows:

- The replacement reserve account is funded by an annual charge against earnings of the General Fund and recorded as a direct increase in the Replacement Reserve fund on the Statement of Changes in Net Assets and Deficiencies. Interest earned on reserve funds is included in the reserve. Expenditures are charged against the reserve in the year they are incurred.

UNION GOSPEL (HEATLEY) HOUSING SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2024

3. Significant accounting policies:

(a) Capital assets and land lease:

Capital assets and land lease are stated at historical cost and amortized over the useful life of each asset as follows:

Asset	Basis	Rate
Buildings	Straight-line	35 years
Equipment	Straight-line	5 years
Land lease	Straight-line	60 years
Furniture and fixtures	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, subsidies, and other income are recognized as revenue in the year they are earned. Related amounts receivable is 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) Replacement reserve:

A replacement reserve is maintained to provide for future asset replacement and major maintenance. This replacement reserve is created by appropriations from the excess of revenues over expense and is recorded as an expense in the year of appropriation. Disbursements are charged against the reserve in the year they are incurred.

(d) Rent subsidy adjustments:

BCHMC conducts an annual review of the Society's financial performance and may adjust for any operating surplus or deficit. Prior year funding adjustments are recognized in the fiscal year in which they are determined.

(e) 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 costs unless management has elected to carry the instruments at fair value. The Society has not made this election.

UNION GOSPEL (HEATLEY) HOUSING SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2024

3. Significant accounting policies (continued):

(e) 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.

(f) 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.

4. Capital assets:

			2024	2023
	Cost	Accumulated amortization	Net book value	Net book value
Buildings	\$ 5,228,124	\$ 3,260,267	\$ 1,967,857	\$ 2,117,232
Equipment	161,131	158,949	2,182	2,805
Furniture and fixtures	268,990	266,579	2,411	3,444
	\$ 5,658,245	\$ 3,685,795	\$ 1,972,450	\$ 2,123,481

5. Prepaid land lease:

	2024	2023
Total lease payment	\$ 862,500	\$ 862,500
Accumulated amortization	(312,657)	(298,282)
	\$ 549,843	\$ 564,218

The prepaid land lease is amortized on a straight-line basis over the remaining term of the lease. The land lease is for a 60-year term expiring on September 4, 2061.

UNION GOSPEL (HEATLEY) HOUSING SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2024

6. Restricted cash:

Restricted cash has been set aside for the following purposes:

	2024	2023
Tenant deposits	\$ 44,945	\$ 42,555
Replacement reserve (note 10)	1,554,838	1,456,491
	<u>\$ 1,599,783</u>	<u>\$ 1,499,046</u>

7. Mortgage payable:

	2024	2023
Scotia Mortgage Corporation, due October 1, 2032, repayable in monthly installments of \$22,534 including principal and interest at 4.193% per annum, secured by a first mortgage on land lease and building, and by assignment of rents at 361 Heatley Avenue, Vancouver, British Columbia	\$ 2,764,297	\$ 2,916,350
Less current portion	(158,496)	(152,053)
	<u>\$ 2,605,801</u>	<u>\$ 2,764,297</u>

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

2025	\$ 158,496
2026	165,211
2027	172,211
2028	179,508
2029	187,113
Thereafter	1,901,758
	<u>\$ 2,764,297</u>

8. Due from/to related parties:

	2024	2023
Due from related parties - current:		
Union Gospel Mission Foundation	\$ 330	\$ 305
Union Gospel Housing Society	100	-
	<u>\$ 430</u>	<u>\$ 305</u>
Due to related parties - long-term:		
Union Gospel Mission	\$ 2,655,894	\$ 1,772,422

UNION GOSPEL (HEATLEY) HOUSING SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2024

8. Due from/to related parties (continued):

The current amount due to a related party has no set terms for repayment and is payable on demand. The amount due bears interest at the Vancouver City Savings Credit Union ("Vancity") prime rate plus 0.75% (2023 - Vancity prime rate plus 0.75%).

The long-term amount due to a related party has no set terms for repayment and are payable on demand. As the parties have agreed that this amount will not be demanded in the subsequent year it has been classified as a long-term liability in these financial statements. The amounts bear interest equal to Vancity prime rate plus 0.75% (2023 - Vancity prime rate plus 0.75%).

The Society's members are the directors of the Mission. The Society is related to the Mission, the Union Gospel Mission Foundation (the "Foundation"), and Union Gospel Housing Society as they have the same individuals on each of their respective Board of Directors.

9. Related party transactions:

During the year, the Mission charged the Society \$84,000 (2023 - \$70,000) for administrative services, \$534,745 (2023 - \$551,897) for building costs, \$216,084 (2023 - \$183,637) for salaries, wages and benefits, \$185,386 (2023 - \$95,772) for interest on related party balances (note 8).

The Society received \$85,214 (2023 - \$85,107) for the rental of the thrift store, and recovered \$35,958 (2023 - \$29,205) in related property tax costs from the Mission.

The Society earned \$25 (2023 - \$305) of interest on related party balances (note 8) with the Foundation during the year.

Union Gospel Housing Society charged the Society \$100 (2023 - nil) for interest on related party balances (note 8).

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

10. Replacement reserve:

Under the terms of the agreement with BCHMC, the replacement reserve account is to be funded annually. The replacement reserve funds along with accumulated interest are held in bank cash accounts and may only be used for specified capital related expenditures.

11. 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, 2024, no employees or contractors received annual remuneration of \$75,000 or greater (2023 - nil), and no members of the Society's Board of Directors received any remuneration.

UNION GOSPEL (HEATLEY) HOUSING SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2024

12. Commitment:

The Society has entered into an agreement for tenant support services with committed payments of \$115,667 (2023 - \$78,549) per annum to be paid on or before March 2025.

13. 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.

(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 or amounts due from related parties.

(c) Interest rate risk:

The Society is exposed to interest rate risks on its due to/from related parties balances (note 8) 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.