

Financial Statements of

UNION GOSPEL MISSION

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 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, 2024
- 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 and schedule 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, 2024, 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 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.

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 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 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 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 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 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 24, 2024

UNION GOSPEL MISSION

Statement of Financial Position

June 30, 2024, with comparative information for 2023

| | General Fund | Designated Funds | Capital Asset Fund | Total 2024 | Total 2023 |
|----------------------------------|-----------------|---------------------|-----------------------|---------------|---------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 7,962,291 | \$ 2,003,561 | \$ - | \$ 9,965,852 | \$ 10,418,365 |
| Accounts receivable | 82,184 | 7,683 | - | 89,867 | 33,678 |
| Prepaid expenses | 404,559 | - | - | 404,559 | 357,736 |
| Inventory | - | - | - | - | 70,804 |
| Due from related party (note 6) | 52,716 | - | - | 52,716 | 125,859 |
| | 8,501,750 | 2,011,244 | - | 10,512,994 | 11,006,442 |
| Tangible capital assets (note 3) | - | - | 34,840,120 | 34,840,120 | 35,622,113 |
| Security deposit | 18,428 | - | - | 18,428 | - |
| Due from related party (note 6) | 2,655,894 | - | - | 2,655,894 | 1,772,422 |
| Intangible asset (note 4) | - | - | - | - | 44,856 |
| | \$ 11,176,072 | \$ 2,011,244 | \$ 34,840,120 | \$ 48,027,436 | \$ 48,445,833 |

Liabilities and Net Assets

Current liabilities:

| | | | | | |
|------------------------------------------------------|--------------|-----------|------|--------------|--------------|
| Accounts payable and accrued liabilities (note 5) | \$ 2,838,932 | \$ - | \$ - | \$ 2,838,932 | \$ 2,412,202 |
| Tenant deposits | - | 13,975 | - | 13,975 | 13,820 |
| Due to related party (note 6) | 889,945 | 1,810,341 | - | 2,700,286 | 442,298 |
| | 3,728,877 | 1,824,316 | - | 5,553,193 | 2,868,320 |

Net assets:

| | | | | | |
|-------------------------------------|-----------|---------|------------|------------|------------|
| Unrestricted | 7,447,195 | - | - | 7,447,195 | 9,386,616 |
| Externally restricted | - | 186,928 | - | 186,928 | 568,784 |
| Invested in tangible capital assets | - | - | 34,840,120 | 34,840,120 | 35,622,113 |
| | 7,447,195 | 186,928 | 34,840,120 | 42,474,243 | 45,577,513 |

Related party transactions (note 7)

Contingent liabilities (note 10)

Commitments (note 11)

\$ 11,176,072 \$ 2,011,244 \$ 34,840,120 \$ 48,027,436 \$ 48,445,833

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

UNION GOSPEL MISSION

Statement of Operations

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

| | General Fund | Designated Funds | Capital Asset Fund | Total 2024 | Total 2023 |
|----------------------------------------------------------------|-------------------|------------------|--------------------|-------------------|-------------------|
| Revenue: | | | | | |
| General donations and grants (note 7(c)) | \$ 25,039,139 | \$ 2,656,528 | \$ - | \$ 27,695,667 | \$ 24,651,887 |
| Gifts-in-kind | 3,890,466 | - | - | 3,890,466 | 3,731,224 |
| Legacy and estate gifts | 3,778,921 | - | - | 3,778,921 | 3,217,850 |
| Other donations (note 7(c)) | 4,549,791 | - | 122,544 | 4,672,335 | 5,309,672 |
| Residential rental income | 436,751 | - | - | 436,751 | 247,001 |
| Commercial rental income | 84,667 | - | - | 84,667 | 90,570 |
| Store sales | 943,990 | - | - | 943,990 | 972,525 |
| Other sales and services | 301,489 | - | - | 301,489 | 71,130 |
| Interest and investment income | 650,711 | - | - | 650,711 | 534,735 |
| Miscellaneous revenues | 13,028 | - | - | 13,028 | 13,004 |
| | <u>39,688,953</u> | <u>2,656,528</u> | <u>122,544</u> | <u>42,468,025</u> | <u>38,839,598</u> |
| Expenses (Schedule): | | | | | |
| Programs: | | | | | |
| Outreach and community engagement | 4,038,305 | - | - | 4,038,305 | 3,539,991 |
| Addiction recovery | 2,129,251 | - | - | 2,129,251 | 1,810,573 |
| Women and children | 6,401,702 | - | - | 6,401,702 | 5,188,346 |
| Food services | 3,244,512 | - | - | 3,244,512 | 2,836,395 |
| Store operations: | | | | | |
| Gifts in kind | 647,909 | - | - | 647,909 | 626,750 |
| Other | 756,455 | - | - | 756,455 | 873,992 |
| Other program costs | 5,056,010 | - | - | 5,056,010 | 4,975,937 |
| | <u>22,274,144</u> | <u>-</u> | <u>-</u> | <u>22,274,144</u> | <u>19,851,984</u> |
| Properties and infrastructure (note 3): | | | | | |
| Building operations | 1,523,192 | - | 1,011,152 | 2,534,344 | 2,569,277 |
| Infrastructure and other | 2,393,233 | - | 502,482 | 2,895,715 | 2,019,769 |
| | <u>3,916,425</u> | <u>-</u> | <u>1,513,634</u> | <u>5,430,059</u> | <u>4,589,046</u> |
| Other operating costs: | | | | | |
| Public education and fundraising | 7,451,257 | - | - | 7,451,257 | 6,541,434 |
| General administration | 4,365,663 | - | - | 4,365,663 | 3,175,828 |
| | <u>11,816,920</u> | <u>-</u> | <u>-</u> | <u>11,816,920</u> | <u>9,717,262</u> |
| | <u>38,007,489</u> | <u>-</u> | <u>1,513,634</u> | <u>39,521,123</u> | <u>34,158,292</u> |
| Excess (deficiency) of revenue over expenses before undernoted | 1,681,464 | 2,656,528 | (1,391,090) | 2,946,902 | 4,681,306 |
| Gifts to qualified donees (note 7(b)) | (4,239,831) | (1,810,341) | - | (6,050,172) | (5,502,913) |
| Excess (deficiency) of revenue over expenses | \$ (2,558,367) | \$ 846,187 | \$ (1,391,090) | \$ (3,103,270) | \$ (821,607) |

See accompanying notes to financial statements.

UNION GOSPEL MISSION

Statement of Changes in Net Assets

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

| | General Fund | Designated Funds | Capital Asset Fund | Total 2024 | Total 2023 |
|-------------------------------------------------|-----------------|---------------------|-----------------------|---------------|---------------|
| Balance, beginning of year | \$ 9,386,616 | \$ 568,784 | \$ 35,622,113 | \$ 45,577,513 | \$ 46,399,120 |
| Excess (deficiency) of revenue over expenses | (2,558,367) | 846,187 | (1,391,090) | (3,103,270) | (821,607) |
| Fund transfers during the year | 618,946 | (1,228,043) | 609,097 | - | - |
| Balance, end of year | \$ 7,447,195 | \$ 186,928 | \$ 34,840,120 | \$ 42,474,243 | \$ 45,577,513 |

See accompanying notes to financial statements.

UNION GOSPEL MISSION

Statement of Cash Flows

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

| | 2024 | 2023 |
|------------------------------------------------|----------------|---------------|
| Cash provided by (used in): | | |
| Operating: | | |
| Deficiency of revenue over expenses | \$ (3,103,270) | \$ (821,607) |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 1,513,635 | 1,465,297 |
| Amortization of intangible asset | 44,856 | 44,854 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | (56,189) | (32,768) |
| Prepaid expenses | (46,823) | (88,573) |
| Deposits | (18,428) | - |
| Inventory | 70,804 | 16,333 |
| Accounts payable and accrued liabilities | 426,730 | 130,718 |
| Tenant deposits | 155 | 7,845 |
| Amounts due to/from related parties | 2,331,131 | 627,298 |
| | 1,162,601 | 1,349,397 |
| Investing: | | |
| Acquisition of tangible capital assets | (731,642) | (866,824) |
| Advances to related party | (883,472) | (628,979) |
| | (1,615,114) | (1,495,803) |
| Decrease in cash and cash equivalents | (452,513) | (146,406) |
| Cash and cash equivalents, beginning of year | 10,418,365 | 10,564,771 |
| Cash and cash equivalents, end of year | \$ 9,965,852 | \$ 10,418,365 |

See accompanying notes to financial statements.

UNION GOSPEL MISSION

Notes to Financial Statements

Year ended June 30, 2024

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.

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 8).

(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, 2024

2. Significant accounting policies (continued):

(c) 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 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 a Mission 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. All carry-forward inventory was sold, and no new inventory was purchased during the current fiscal year.

(e) Tangible capital assets:

Tangible capital assets are stated at historical 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 | Straight-line | 20-years |
| Leasehold improvements | Straight-line | 15- to 20-years |
| Biological | Straight-line | 10-years |
| Equipment, furniture and fixtures | Declining balance | 20% to 30% |
| Automobile | Straight-line | 5- to 15-years |
| Computer software | Declining balance | 30% |
| Computer hardware - Cordova | Straight-line | 5-years |
| Women and Family Recovery Centre ("Cordova"): | | |
| Building | Straight-line | 40-years |
| Roof and elevators | Straight-line | 25-years |
| Plumbing | Straight-line | 20-years |
| HVAC | Straight-line | 15-years |
| Equipment | Straight-line | 5-years |

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2024

2. Significant accounting policies (continued):

(e) Tangible capital assets (continued):

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.

When significant, practicable and estimates can be made of the separate useful lives, tangible capital assets have been componentized and accounted for as separate items.

(f) Intangible asset:

The intangible asset is comprised of costs incurred for the implementation of 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.

(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.

Government assistance, in the form of forgivable loans, is recognized as grant revenue when received.

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

Other income is recognized as revenue when due or earned.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2024

2. Significant accounting policies (continued):

(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.

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. Actual results could differ from these estimates.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2024

3. Tangible capital assets:

| | | | 2024 | 2023 |
|-----------------------------------|---------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 85,400 | \$ - | \$ 85,400 | \$ 85,400 |
| Buildings | 244,367 | 244,367 | - | - |
| Leasehold improvements | 1,202,650 | 853,975 | 348,675 | 340,059 |
| Equipment | 3,464,223 | 2,504,800 | 959,423 | 1,016,194 |
| Biological | 36,420 | 1,821 | 34,599 | - |
| Furniture and fixtures | 3,006,762 | 1,546,881 | 1,459,881 | 1,574,066 |
| Automobile | 1,325,547 | 1,005,805 | 319,742 | 121,091 |
| Computer software | 87,485 | 84,542 | 2,943 | 4,204 |
| Computer hardware | 129,639 | 64,532 | 65,107 | 91,035 |
| | 9,582,493 | 6,306,723 | 3,275,770 | 3,232,049 |
| Women and Family Recovery Centre: | | | | |
| Building | 29,685,552 | 1,843,373 | 27,842,179 | 28,444,335 |
| Roof and elevators | 983,985 | 98,398 | 885,587 | 924,946 |
| Plumbing | 2,136,384 | 267,048 | 1,869,336 | 1,976,155 |
| HVAC | 1,160,698 | 193,450 | 967,248 | 1,044,628 |
| | 33,966,619 | 2,402,269 | 31,564,350 | 32,390,064 |
| | \$ 43,549,112 | \$ 8,708,992 | \$ 34,840,120 | \$ 35,622,113 |

Total amortization of \$1,513,635 (2023 - \$1,465,297) is included in properties and infrastructure expenses in the Statement of Operations.

The Mission holds a ground lease on the land from the Foundation until 2060, which allowed the Mission to construct a building, otherwise use, occupy and enjoy the land.

The costs incurred for the Cordova 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.

As developer of the Cordova, the Mission remains responsible for the financial commitments of the project (note 11(b)).

4. Intangible asset:

| | 2024 | 2023 |
|--------------------------|------------|------------|
| Intangible asset | \$ 224,272 | \$ 224,272 |
| Accumulated amortization | (224,272) | (179,416) |
| | \$ - | \$ 44,856 |

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2024

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$421,212 (2023 - \$384,123), which includes amounts payable to WorkSafe BC and the Minister of Finance for payroll related taxes.

6. Due from (to) related parties:

| | 2024 | 2023 |
|----------------------------------------|--------------|--------------|
| Due from related parties - current: | | |
| Union Gospel Housing Society | \$ 52,716 | \$ 125,859 |
| Due from related party - long-term: | | |
| Union Gospel (Heatley) Housing Society | \$ 2,655,894 | \$ 1,772,422 |
| Due to related party - current: | | |
| Union Gospel Mission Foundation | \$ 2,700,286 | \$ 442,298 |

The current amounts due to or from related parties have no set terms for repayment and are payable on demand. Amounts due to the Foundation are non-interest bearing. All other amounts bear 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 from 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 a long-term liability in these financial statements. The amount bears interest equal to Vancouver City Savings Credit Union ("Vancity") prime plus 0.75% (2023 – Vancity prime rate plus 0.75%).

7. Related party transactions:

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

| | 2024 | 2023 |
|-------------------------------------------------------------------|--------------------|--------------------|
| | Received (paid) | Received (paid) |
| Union Gospel (Heatley) Housing Society: | | |
| Interest on related party balances (note 6) | \$ 185,386 | \$ 95,772 |
| Thrift store rental | (85,214) | (85,107) |
| Thrift store property tax | (35,958) | (29,205) |
| Union Gospel Housing Society: | | |
| Interest on related party balances (note 6) | (8,271) | 3,800 |
| Union Gospel Mission Foundation: | | |
| Rent for the use of the Hastings and New Westminster buildings | (587,144) | (587,852) |

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2024

7. Related party transactions (continued):

(a) (continued):

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

| | 2024 | 2023 |
|---------------------------------------------------|---------------------|---------------------|
| Unrestricted donations: | | |
| Legacy and estate gifts | \$ 3,778,921 | \$ 3,217,850 |
| Other gifts | - | - |
| | <u>3,778,921</u> | <u>3,217,850</u> |
| Restricted donations: | | |
| Women and Family Recovery Centre project (note 3) | 460,910 | 2,285,063 |
| Victoria property (i) | 1,810,341 | - |
| | <u>2,271,251</u> | <u>2,285,063</u> |
| | <u>\$ 6,050,172</u> | <u>\$ 5,502,913</u> |

(i) During the fiscal year, a property in Victoria was acquired under the Foundation as part of the strategy to expand the Women and Family Recovery program. The Mission received a gift of \$2,000,000 from a donor towards this property acquisition, of which \$1,810,341 was donated to the Foundation as a qualified donee to fund the expenditures incurred by the Foundation on the property purchase and related capital improvements made to the end of June 30, 2024.

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

| | 2024 | 2023 |
|------------------------------------------------|---------------------|---------------------|
| Unrestricted donations - other | \$ 4,380,122 | \$ 2,984,569 |
| Restricted donations - | | |
| Women and Family Recovery Centre project costs | 122,544 | 282,666 |
| | <u>\$ 4,502,666</u> | <u>\$ 3,267,235</u> |

The Cordova continues to be 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 Cordova, 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.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2024

7. Related party transactions (continued):

(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 \$1,516,075 (2023 - \$1,429,174) and are recorded as recovery against the relevant expenses incurred.

8. 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:

| | 2024 | 2023 |
|-------------------------------------------------------|---------------|---------------|
| Assets: | | |
| Total assets | \$ 59,061,099 | \$ 55,046,317 |
| Liabilities and net assets: | | |
| Total liabilities | \$ 12,149,287 | \$ 11,467,924 |
| Total net assets | 46,911,812 | 43,578,393 |
| | \$ 59,061,099 | \$ 55,046,317 |
| Results of operations: | | |
| Total revenue | \$ 11,446,259 | \$ 10,087,519 |
| Total expenses | (8,211,187) | (6,794,527) |
| | \$ 3,235,072 | \$ 3,292,992 |
| Cash flow activities: | | |
| Total cash provided by operating activities | \$ 1,897,332 | \$ 3,219,559 |
| Total cash provided by (used in) investing activities | (3,158,739) | 226,013 |
| Total cash used in financing activities | 604,388 | 67,561 |
| Increase (decrease) in cash | (657,019) | 3,513,133 |
| Cash and cash equivalents, beginning of year | 30,973,241 | 27,460,108 |
| Cash and cash equivalents, end of year | \$ 30,316,222 | \$ 30,973,241 |

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2024

9. Bank credit facility:

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, 2024 there was no outstanding balance under this facility (2023 - nil).

In addition, a \$214,153 (2023 - \$200,000) term deposit is held with Vancity as security on its credit card facility.

10. Contingent liabilities:

(a) 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 \$10,452,128 (2023 - \$10,636,346) 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.

(b) During fiscal 2022, 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 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 has recorded the \$2,000,000 forgivable loan as grant revenue in the year ended June 30, 2022.

(c) The Mission also entered into a \$11,375,000 forgivable loan agreement during fiscal 2022 with CMHC and received the full loan proceeds to fund the Cordova project, 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.

Provided those applicable criteria are met, a proportionate amount of the loan is forgivable by CHMC over 20-years commencing on each anniversary of the date of final advance being November 1, 2022. 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 has recorded \$1,395,416 and \$9,979,584 received in each of the 2023 and 2022 respective fiscal years as grant revenue for a total of \$11,375,000.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2024

11. Commitments:

- (a) The Mission has multi year lease agreements for warehouse space and office equipment expiring in 2028.

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

| | | |
|------------|----|---------|
| 2025 | \$ | 117,454 |
| 2026 | | 120,773 |
| 2027 | | 111,520 |
| 2028 | | 112,456 |
| 2029 | | 18,718 |
| Thereafter | | 40 |
| | \$ | 480,961 |

- (b) The Mission has entered into various third-party supply agreements with committed payments remaining related to the Cordova development (note 3) in the amount of \$29,456 (2023 - \$89,856) for the 2025 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.

- (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 large 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.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2024

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, 2024, the Mission paid total remuneration of \$7,449,141 (2023 - \$5,533,453) to all employees or contractors with annual remuneration in excess of \$75,000 or greater. No remuneration was paid to any members of the Board of Directors.

UNION GOSPEL MISSION

Schedule of Expenses

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

| | 2024 | 2023 |
|--------------------------------------------------------|---------------|---------------|
| Salaries and benefits | \$ 22,935,243 | \$ 19,622,920 |
| Gifts-in-kind used | 3,890,466 | 3,731,224 |
| Office supplies and services | 2,186,135 | 1,275,160 |
| Food and kitchen supplies and services | 1,800,382 | 1,608,626 |
| Newsletters and campaign appeals | 1,639,955 | 1,773,798 |
| Programs and events | 1,562,985 | 1,642,939 |
| Amortization of capital assets | 1,513,635 | 1,465,297 |
| Property taxes, utilities, and insurance | 885,058 | 786,217 |
| Professional and consulting services | 825,899 | 431,933 |
| Building maintenance and repairs supplies and services | 807,462 | 912,639 |
| Rental of facilities | 780,744 | 676,559 |
| Staff training and development | 701,238 | 503,690 |
| Fundraising and marketing | 688,475 | 548,600 |
| Bank charges and interest | 520,192 | 291,983 |
| Non-recovered goods and services taxes | 151,924 | 157,705 |
| Miscellaneous | 102,549 | 113,322 |
| Amortization of intangible asset | 44,856 | 44,854 |
| Total expenses | 41,037,198 | 35,587,466 |
| Less recoveries from affiliated entities (note 7(d)) | (1,516,075) | (1,429,174) |
| | \$ 39,521,123 | \$ 34,158,292 |