

**UNION GOSPEL MISSION**  
**Financial Statements**  
**Year Ended June 30, 2013**



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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Union Gospel Mission

We have audited the accompanying financial statements of Union Gospel Mission, which comprise the statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, and the statements of revenue and expenditures, changes in net assets and cash flows for the years ended June 30, 2013 and June 30, 2012, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Union Gospel Mission as at June 30, 2013, June 30, 2012 and July 1, 2011, and the results of its operations and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. As required by the Society Act British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Vancouver, BC  
November 15, 2013

**DALE MATHESON CARR-HILTON LABONTE LLP**  
CHARTERED ACCOUNTANTS

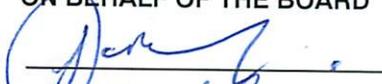
### PARTNERSHIP OF:

**VANCOUVER** Robert J. Burkart, Inc. James F. Carr-Hilton Ltd. Kenneth P. Chong Inc. Alvin F. Dale Ltd. David J. Goertz, Inc. Barry S. Hartley, Inc. Reginald J. LaBonte Ltd. Robert J. Matheson, Inc. Rakesh I. Patel Inc. Brad A. Robin Inc. EM. Yada FCA Inc. **WHITE ROCK** Michael K. Braun Inc. Peter J. Donaldson, Inc. Harjit S. Sandhu, Inc. **TRI-CITIES** G.D. Lee Inc. Fraser G. Ross, Ltd. Brian A. Shaw Inc.

**UNION GOSPEL MISSION**  
**Statement of Financial Position**  
**June 30, 2013**

	<i>June 30</i> 2013	<i>June 30</i> 2012	<i>July 1</i> 2011
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	\$ 933,091	\$ 587,344	\$ 497,581
Accounts receivable	1,129	350	450
Goods and services tax recoverable	66,362	96,244	229,348
Prepaid expenses	158,146	209,085	204,862
	<u>1,158,728</u>	<u>893,023</u>	<u>932,241</u>
CAPITAL ASSETS (Note 5)	1,651,799	2,316,925	4,094,746
LONG TERM INVESTMENTS (Note 4)	838,642	1,071,504	1,411,271
DUE FROM RELATED PARTIES (Note 8)	870,534	1,883,828	19,448,312
	<u>\$ 4,519,703</u>	<u>\$ 6,165,280</u>	<u>\$ 25,886,570</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities	\$ 234,076	\$ 195,517	\$ 268,557
Wages payable	615,794	564,431	688,457
Current portion of mortgage payable	-	-	88,547
	<u>849,870</u>	<u>759,948</u>	<u>1,045,561</u>
DEFERRED INCOME (Note 6)	-	21,999	32,504
LONG TERM DEBT	-	-	16,978,708
	<u>849,870</u>	<u>781,947</u>	<u>18,056,773</u>
NET ASSETS			
General fund	<u>3,669,833</u>	<u>5,383,333</u>	<u>7,829,797</u>
	<u>\$ 4,519,703</u>	<u>\$ 6,165,280</u>	<u>\$ 25,886,570</u>
CONTINGENT LIABILITY (Note 10)			

ON BEHALF OF THE BOARD

 \_\_\_\_\_ Director  
 \_\_\_\_\_ Director

See notes to financial statements

**UNION GOSPEL MISSION**  
**Statement of Revenue and Expenditures**  
**Year Ended June 30, 2013**

	2013	2012
<b>REVENUE</b>		
Donations	\$ 13,578,409	\$ 13,200,284
Other income	<u>693,454</u>	<u>625,963</u>
	<u>14,271,863</u>	<u>13,826,247</u>
<b>EXPENSES</b>		
General administration	1,098,774	1,019,603
Occupancy and infrastructure	1,852,101	2,080,518
Program and housing	5,986,691	5,970,439
Public education and resource development	<u>4,087,098</u>	<u>3,824,149</u>
	<u>13,024,664</u>	<u>12,894,709</u>
<b>EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	1,247,199	931,538
<b>OTHER EXPENSES</b>		
Gifts to qualified donees <i>(Note 7)</i>	<u>2,960,699</u>	<u>3,378,001</u>
<b>NET DEFICIENCY</b>	<u>\$ (1,713,500)</u>	<u>\$ (2,446,463)</u>
 AMORTIZATION <i>(Note 5)</i>		

**UNION GOSPEL MISSION**  
**Statement of Changes in Net Assets**  
**Year Ended June 30, 2013**

	<u>2013</u>	<u>2012</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$ 5,383,333</b>	<b>\$ 7,829,796</b>
Net deficiency from operations	<u>(1,713,500)</u>	<u>(2,446,463)</u>
<b>NET ASSETS - END OF YEAR</b>	<b><u>\$ 3,669,833</u></b>	<b><u>\$ 5,383,333</u></b>

**UNION GOSPEL MISSION**  
**Statement of Cash Flows**  
**Year Ended June 30, 2013**

	2013	2012
<b>OPERATING ACTIVITIES</b>		
Net deficiency from operations	\$ (1,713,500)	\$ (2,446,463)
Items not affecting cash:		
Amortization	668,606	839,771
Property transfer to Union Gospel Mission Foundation	-	1,090,688
Loss on abandonment of capital assets	83,636	-
	<u>(961,258)</u>	<u>(516,004)</u>
Changes in non-cash working capital:		
Accounts receivable	(779)	100
GST receivable	29,882	133,104
Prepaid expenses	50,939	(4,223)
Accounts payable and accrued liabilities	38,559	(73,042)
Wages payable	51,363	(124,026)
Deferred income	(21,999)	(10,505)
	<u>147,965</u>	<u>(78,592)</u>
Cash flow used by operating activities	<u>(813,293)</u>	<u>(594,596)</u>
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets	<u>(87,116)</u>	<u>(152,637)</u>
<b>FINANCING ACTIVITIES</b>		
Long term investments	232,862	339,767
Advances to related parties	1,013,294	497,229
Cash flow from financing activities	<u>1,246,156</u>	<u>836,996</u>
<b>INCREASE IN CASH FLOW</b>	<b>345,747</b>	<b>89,763</b>
Cash - beginning of year	<u>587,344</u>	<u>497,581</u>
<b>CASH - END OF YEAR</b>	<b>\$ 933,091</b>	<b>\$ 587,344</b>

See notes to financial statements

**UNION GOSPEL MISSION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2013**

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1. DESCRIPTION OF BUSINESS

The purpose of the Union Gospel Mission ("Mission") is to bring hope to the hungry, hurting and homeless through the sharing of the gospel of Jesus Christ. This includes meeting the spiritual, physical, emotional and social needs of hungry and hopeless men, women and children. In addition to providing food and shelter, counselling, rehabilitation and youth programs, street, family and prison outreach ministry programs are undertaken by the Mission. The Mission is a not-for-profit organization incorporated under the Society Act of British Columbia and is a registered charity under the Canadian Income Tax Act.

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2. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the Mission adopted Canadian Accounting Standards for Not-for-Profit Organizations (ASNFP). These financial statements are the first prepared in accordance with these standards. The adoption of ASNFP had no impact on net assets as at July 1, 2011 or revenue and expenditures or cash flows for the year ended June 30, 2012 as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFP).

Non-Consolidated Financial Statements

The Union Gospel Mission ("Mission"), the Union Gospel Mission Foundation ("Foundation"), the Union Gospel Housing Society ("Society") and the Union Gospel Heatley Housing Society ("Heatley") have Boards of Directors in common. Consolidated financial statements have not been prepared. These financial statements have been prepared on a non-consolidated basis to reflect the operations of the Mission only. (Note 9)

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents consist of highly liquid investments with maturities of one year or less at date of purchase and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than a year.

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**UNION GOSPEL MISSION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2013**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments policy

In accordance with the Canadian Accounting Standards for Not-for-Profit Organizations financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date.

Transaction costs are expensed when incurred. Net gain and loss arising from changes in fair value are recognized in the statement of revenue and expenditures.

Unless otherwise noted, it is management's opinion that the Mission is not exposed to significant currency or credit risk arising from these financial instruments.

Investments

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. The funds are managed by professional investment advisors independent of the Board.

The Mission's investments are initially recognized and subsequently measured at fair value, based on market information. Transaction costs, gains and losses arising from market value changes are reported in the statement of revenue and expenditures when occurred.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Automobile	30%	declining balance method
Buildings	20 - 35 years	straight-line method
Equipment	30%	declining balance method
Leasehold improvements	15 years	straight-line method

The Mission regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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**UNION GOSPEL MISSION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2013**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Union Gospel Mission follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Other income is recognized as revenue when due or earned.

Use of Estimates

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations 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 providing for amortization of capital assets. Actual results could differ from these estimates.

Donated Materials and Services

Donated materials and services are recorded in the financial statements at fair market value when fair market value can be reasonably estimated.

Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

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4. LONG TERM INVESTMENTS

Long term investments consist of shares and mutual funds. Pursuant to the accounting policy described in Note 3, these investments are stated at fair market value, with gains or losses being reported in the statement of revenue and expenditures.

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**UNION GOSPEL MISSION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2013**

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Land	\$ 85,400	\$ -	\$ 85,400	\$ 85,400
Buildings	244,367	160,230	84,137	96,355
Equipment	2,285,587	1,674,541	611,046	861,060
Automobile	843,268	717,696	125,572	179,389
Furniture and fixtures	1,036,339	697,228	339,111	476,140
Leasehold improvements	3,097,101	2,765,713	331,388	618,581
Deferred capital charges	75,145	-	75,145	-
	<b>\$ 7,667,207</b>	<b>\$ 6,015,408</b>	<b>\$ 1,651,799</b>	<b>\$ 2,316,925</b>

Amortization of \$668,606 (2012 - \$839,771) is included in occupancy and infrastructure expense in the statement of revenue and expenditures.

Losses of \$83,636 (2012 - nil) on disposal of capital assets are included in occupancy and infrastructure expense in the statement of revenue and expenditures.

6. DEFERRED REVENUE

Deferred revenue represents the excess of certain contributions received for specified purposes over amounts disbursed. The excess funding is being deferred until a related expense is incurred or property is acquired.

**UNION GOSPEL MISSION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2013**

7. DONATION AND TRANSFERS TO UNION GOSPEL MISSION FOUNDATION

During the year the Mission made the following donations to the Union Gospel Mission Foundation:

	<u>2013</u>	<u>2012</u>
<b>Unrestricted donations</b>		
Donation for use of the Hastings building	\$ 623,975	\$ 665,267
General gifts and donations	<u>1,890,605</u>	<u>884,760</u>
	<u>2,514,580</u>	<u>1,550,027</u>
<b>Restricted donations</b>		
Hastings project land (i)	-	1,129,536
Hastings project	387,979	658,163
Cordova project	2,640	1,425
Women and family seeds fund	<u>55,500</u>	<u>-</u>
	<u>446,119</u>	<u>1,789,124</u>
	<u>\$ 2,960,699</u>	<u>\$ 3,339,151</u>

(i) The Hastings project land was transferred to the Foundation at its carrying value and therefore there was no gain or loss on this transfer.

**UNION GOSPEL MISSION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2013**

8. RELATED PARTY TRANSACTIONS

	2013	2012
Due from Union Gospel Mission Foundation	\$ -	\$ 551,573
Due from Union Gospel Housing Society	<b>531,754</b>	555,331
Due from Union Gospel Heatley Housing Society	<b>338,780</b>	776,924
	<b>\$ 870,534</b>	\$ 1,883,828

The advances to the Foundation are non-interest bearing and have no set terms of repayment.

The advances to the Union Gospel Housing Society and the Union Gospel Heatley Housing Society bear interest at the Canadian bank prime rate plus 1% and have no set terms of repayment.

The Mission is the sponsor of the Union Gospel Housing Society and in this capacity has advanced funds, furniture and equipment to the Society. The Mission paid rent to the Society for the use of the building located at 601 East Cordova Street, Vancouver, BC in the amount of \$165,054 (2012 - \$161,047). Prior to the 2013 fiscal year the Mission rented only a portion of the building from the Society.

The Mission acts as the administrator of the Union Gospel Heatley Housing Society ("Heatley") in providing fixed term rental housing for low income individuals. The operation is fully funded under an agreement with the British Columbia Housing Management Commission ("BCHMC").

During the year, the Mission received \$30,000 (2012 - \$30,000) for administration services, and paid \$1 (2012 - \$1) for rent of the building located at 601 East Hastings Street to the Union Gospel Mission Foundation. See Note 7 - Donations and transfers to the Union Gospel Mission Foundation.

During the year, the Mission received \$30,000 (2012 - \$30,000) for administration services, \$48,061 (2012 - \$55,665) for building costs, \$23,981 (2012 - \$16,914) for other infrastructure costs, and paid (received) \$3,168 (2012 - \$(5,455)) for interest on related party balances from the Union Gospel Housing Society - Cordova Street Division.

During the year, the Mission received \$30,000 (2012 - \$30,000) for administration services, \$388,442 (2012 - \$372,939) for building costs, \$119,002 (2012 - \$85,424) for other infrastructure costs, and \$32,792 (2012 - \$18,353) for interest on related party balances from the Union Gospel Heatley Housing Society - Hastings Street Division.

During the year, the Mission received \$30,000 (2012 - \$30,000) for administration services, \$54,000 (2012 - \$54,000) for program services, \$36,667 (2012 - \$57,379) for other infrastructure costs, \$130,866 (2012 - \$129,579) for employee wages, \$2,293 (2012 - \$3,709) for interest on related party balances from , and paid \$86,885 (2012 - \$89,451) for the rental of the thrift store to the Union Gospel Heatley Housing Society - Maurice McElrea Place Division.

During the year, the Mission received \$30,000 (2012 - \$30,000) for administration services, \$160,538 (2012 - \$90,752) for other infrastructure costs, \$38,647 (2012 - \$41,116) for employee wages, and \$16,770 (2012 - \$13,649) for interest on related party balances to Union Gospel Housing Society - Orchard Division.

**UNION GOSPEL MISSION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2013**

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9. UNCONSOLIDATED ENTITY

The Mission, the Society, Heatley and the Foundation all have a common Board of Directors. The Society operates two social housing projects, Cordova and Orchard. Heatley also operates two social housing projects, Maurice McElrea Place and Hastings. The Foundation was established in October 2001 to raise, distribute and administer funding and support for the programs and activities of the Mission.

The Society and Heatley are incorporated as Societies in British Columbia and are not-for-profit organizations under the Income Tax Act.

The Society, Heatley and Foundation have not been consolidated in the Mission's financial statements. Financial statements of these entities are available on request. Financial summaries of these unconsolidated entities are as follows:

	2013	2012
<b>Assets</b>		
Total assets	<b>\$ 34,836,413</b>	\$ 37,372,812
<b>Liabilities and net assets</b>		
Total liabilities	<b>\$ 20,734,527</b>	\$ 25,666,503
Total net assets	<b>14,101,886</b>	11,706,309
	<b>\$ 34,836,413</b>	<b>\$ 37,372,812</b>
<b>Results of operations</b>		
Total revenue	<b>\$ 5,783,952</b>	\$ 5,297,815
Total expenses	<b>(3,970,935)</b>	(4,056,968)
	<b>\$ 1,813,017</b>	\$ 1,240,847
<b>Cash flow balance</b>		
Total cash from operating activities	<b>\$ 2,691,457</b>	\$ 1,866,800
Total cash used for investing activities	<b>1,152,558</b>	1,251,486
Total cash used financing activities	<b>(5,198,822)</b>	(1,263,095)
Increase (decrease) in cash flow	<b>(1,354,807)</b>	1,855,191
Total cash, beginning of year	<b>2,390,721</b>	535,530
Total cash, end of year	<b>\$ 1,035,914</b>	\$ 2,390,721

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**UNION GOSPEL MISSION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2013**

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10. CONTINGENT LIABILITY

The Mission is included as a co-borrower, together with the Union Gospel Mission Foundation and the Union Gospel Housing Society, in respect of a \$1.5 million operating credit facility and a \$1.5 million variable rate business mortgage arranged with Vancouver City Savings Credit Union ("Vancity"). Both facilities are with interest rates at Vancity prime plus 0.75% per annum. As at June 30, 2013 there are no outstanding balances under either facility.

The Mission and the Foundation together arranged credit facilities with the BC Housing Management Commission ("BCHMC"), the Royal Bank of Canada and Vancity for construction of the Hastings building, which is owned by the Foundation. The building was completed in 2012 and the Vancity line of credit was repaid. However, the Mission remains contingently liable for the BCHMC and Royal Bank loans which together totaled \$11,802,190 (2012 - \$11,904,768) as at year end.

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