

Financial Statements of

UNION GOSPEL MISSION FOUNDATION

And Independent Auditors' Report Thereon

Year ended June 30, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of Union Gospel Mission Foundation

Report on the Audit of Financial Statements

Opinion

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

- the statement of financial position as at June 30, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2019 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “*Auditors' Responsibilities for the Audit of the Financial Statements*” section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

October 24, 2019

UNION GOSPEL MISSION FOUNDATION

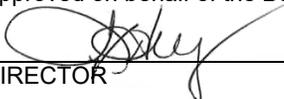
Statement of Financial Position

June 30, 2019, with comparative information for 2018

	General Fund	Capital Asset Fund	Women and Family Recovery Centre Fund	Internally Restricted Funds	Total 2019	Total 2018
Assets						
Current assets:						
Cash and cash equivalents	\$ 10,337,127	\$ -	\$ -	\$ -	\$ 10,337,127	\$ 6,262,815
Goods and services tax recoverable	59,148	-	-	-	59,148	9,540
Due from related parties (note 4)	2,251,558	-	-	-	2,251,558	1,233,002
Prepaid expenses	4,494	-	-	-	4,494	-
	<u>12,652,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,652,327</u>	<u>7,505,357</u>
Capital assets (note 3)	-	19,224,297	2,423,994	-	21,648,291	20,313,147
Restricted cash and cash equivalents (note 6)	-	-	6,312,366	890,352	7,202,718	4,196,100
Due from related party (note 4)	1,309,162	-	-	-	1,309,162	1,250,257
	<u>\$ 13,961,489</u>	<u>\$ 19,224,297</u>	<u>\$ 8,736,360</u>	<u>\$ 890,352</u>	<u>\$ 42,812,498</u>	<u>\$ 33,264,861</u>
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 25,875	\$ 22,617	\$ 169,624	\$ -	\$ 218,116	\$ 94,878
Loan payable to related party (note 4)	-	-	941,430	-	941,430	-
Current portion of mortgage payable (note 7)	-	125,240	-	-	125,240	119,930
	<u>25,875</u>	<u>147,857</u>	<u>1,111,054</u>	<u>-</u>	<u>1,284,786</u>	<u>214,808</u>
Mortgage payable (note 7)	-	6,126,059	-	-	6,126,059	6,251,298
	<u>25,875</u>	<u>6,273,916</u>	<u>1,111,054</u>	<u>-</u>	<u>7,410,845</u>	<u>6,466,106</u>
Net assets:						
Unrestricted	13,935,614	-	-	-	13,935,614	8,712,930
Invested in capital assets	-	12,950,381	-	-	12,950,381	13,427,204
Externally restricted	-	-	7,625,306	-	7,625,306	4,183,125
Internally restricted (note 10)	-	-	-	890,352	890,352	475,496
	<u>13,935,614</u>	<u>12,950,381</u>	<u>7,625,306</u>	<u>890,352</u>	<u>35,401,653</u>	<u>26,798,755</u>
Related party transactions (note 5)						
Contingent liability (note 8)						
Commitments (note 11)						
	<u>\$ 13,961,489</u>	<u>\$ 19,224,297</u>	<u>\$ 8,736,360</u>	<u>\$ 890,352</u>	<u>\$ 42,812,498</u>	<u>\$ 33,264,861</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



 DIRECTOR



 DIRECTOR

UNION GOSPEL MISSION FOUNDATION

Statement of Operations

Year ended June 30, 2019 with comparative information for 2018

	General Fund	Capital Asset Fund	Women and Family Recovery Centre Fund	Internally Restricted Funds	Total 2019	Total 2018
Revenue:						
Donations:						
Annual gifts	\$ 238,810	\$ -	\$ -	\$ -	\$ 238,810	\$ 503,060
Legacy gifts	5,000	-	-	-	5,000	7,797
Donation from Union Gospel Mission (note 5)	5,384,757	-	3,136,832	-	8,521,589	4,128,024
Other restricted donations	-	-	445,464	-	445,464	1,002,399
Rent (note 5)	-	597,186	-	-	597,186	597,186
	5,628,567	597,186	3,582,296	-	9,808,049	6,238,466
Other revenues:						
Interest income (note 5)	349,934	-	-	-	349,934	156,205
	5,978,501	597,186	3,582,296	-	10,157,983	6,394,671
Expenses:						
Public education and resource development	205,470	-	-	-	205,470	167,690
General administration	14,552	-	-	-	14,552	16,690
Amortization on buildings	-	597,186	-	-	597,186	597,186
Interest on long-term debt	-	273,808	-	-	273,808	278,913
Women and Family Recovery Centre project costs	-	-	73,750	-	73,750	84,864
	220,022	870,994	73,750	-	1,164,766	1,145,343
Excess (deficiency) of revenue over expenses before gifts to qualified donee	5,758,479	(273,808)	3,508,546	-	8,993,217	5,249,328
Gifts to qualified donee (note 5)	(390,319)	-	-	-	(390,319)	(527,564)
Excess (deficiency) of revenue over expenses	\$ 5,368,160	\$ (273,808)	\$ 3,508,546	\$ -	\$ 8,602,898	\$ 4,721,764

See accompanying notes to financial statements.

UNION GOSPEL MISSION FOUNDATION

Statement of Changes in Net Assets

Year ended June 30, 2019 with comparative information for 2018

	General Fund	Capital Asset Fund	Women and Family Recovery Centre Fund	Internally Restricted Funds (Note 10)	Total 2019	Total 2018
Net assets, beginning of year	\$ 8,712,930	\$ 13,427,204	\$ 4,183,125	\$ 475,496	\$ 26,798,755	\$ 22,076,991
Excess (deficiency) of revenue over expenditures	5,368,160	(273,808)	3,508,546	-	8,602,898	4,721,764
Interfund transfers (note 10)	(145,476)	(203,015)	(66,365)	414,856	-	-
Net assets, balance, end of year	\$ 13,935,614	\$ 12,950,381	\$ 7,625,306	\$ 890,352	\$ 35,401,653	\$ 26,798,755

See accompanying notes to financial statements.

UNION GOSPEL MISSION FOUNDATION

Statement of Cash Flows

Year ended June 30, 2019 with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating:		
Excess of revenue over expenditures	\$ 8,602,898	\$ 4,721,764
Item not involving cash:		
Amortization of capital assets	597,186	597,186
Changes in non-cash operating working capital:		
Goods and services tax recoverable	(49,608)	(5,246)
Accounts payable and accrued payables	123,238	30,545
Due to / from related parties	(1,018,556)	(907,712)
Prepaid expenses	(4,494)	-
	<u>8,250,664</u>	<u>4,436,537</u>
Investing:		
Decrease (increase) in advances to related party	(58,905)	1,463
Loan proceeds from related party	941,430	-
Acquisition of capital assets	(1,932,330)	(370,659)
	<u>(1,049,805)</u>	<u>(369,196)</u>
Financing:		
Repayment of mortgage payable	(119,929)	(114,842)
Increase in cash	7,080,930	3,952,499
Cash and cash equivalents, beginning of year	10,458,915	6,506,416
	<u>\$ 17,539,845</u>	<u>\$ 10,458,915</u>
Cash and cash equivalents consists of:		
Unrestricted amounts	\$ 10,337,127	\$ 6,262,815
Restricted amounts	7,202,718	4,196,100
	<u>\$ 17,539,845</u>	<u>\$ 10,458,915</u>

See accompanying notes to financial statements.

UNION GOSPEL MISSION FOUNDATION

Notes to Financial Statements

Year ended June 30, 2019

1. Operations:

Union Gospel Mission Foundation (“Foundation”) is a not-for-profit organization incorporated under the laws of British Columbia and is a registered charity under the Income Tax Act. The Foundation transitioned on November 8, 2018 to the new Societies Act (British Columbia) which became effective on November 26, 2016.

The purpose of the Foundation is to promote the efficiency and effectiveness of Union Gospel Mission’s (the “Mission”) charitable programs by providing and maintaining facilities for this purpose, to receive and maintain a fund or funds and to apply all or part of the principal and income from time to time to the Mission and/or other “qualified donees” as defined in subsection 149.1 (1) of the Income Tax Act (Canada), and to do all such things as are incidental and ancillary to the attainment of the charitable purposes of the Foundation.

2. Significant accounting policies:

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

(a) Fund accounting:

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

- (i) The General Fund reports the Foundation’s unrestricted resources and operating activities.
- (ii) The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Foundation’s capital assets.
- (iii) Restricted funds report resources established for specific purposes. The Foundation maintains the Women and Family Recovery Centre Fund that was established in 2016 to fund the planned Women and Family Recovery Centre.
- (iv) Internally restricted funds report resources internally allocated by the Foundation for specific purposes as follows:
 - The Building Maintenance Fund funds and supports major renovations required for the Foundation’s and Mission’s non-housing facilities.
 - The Social Enterprise Fund was established during the year to fund and support start-up costs for the Mission’s new social enterprises.
 - The New Initiatives and Innovation Fund was also established during the year to fund and support initial projects within the Foundation’s long term strategic plan as well as innovative measures within its organizational culture.

UNION GOSPEL MISSION FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2019

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

To meet the objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of changes in net assets.

(b) Cash and cash equivalents:

Cash includes cash and cash equivalents. Cash equivalents consist of highly liquid investments with maturities of three months or less at date of purchase.

The Foundation's investment activities are governed by investment policies set by the Board of Directors. These policies include guidelines as to asset categories and mix in accordance with the risk and return objectives established by the Board of Directors and management.

(c) Capital assets:

Capital assets are stated at cost less accumulated amortization. Contributed assets are recorded at fair value at the date of contribution. Building project under development includes development and construction costs directly attributable to the Women and Family Recovery Centre. Capital assets are amortized over their estimated useful lives at the following rates and methods:

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

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.

The Foundation reviews its capital assets, including land and buildings to be held and used, for impairment whenever events or changes in circumstances indicate that the asset no longer has long-term service potential to the organization. If such conditions exist, an impairment loss is measured at the amount by which the carrying amount of the asset exceeds its residual value.

UNION GOSPEL MISSION FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2019

2. Significant accounting policies (continued):

(d) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue in the General Fund in the year in which the related expenses are incurred. Restricted contributions are recorded in the appropriate established restricted funds when received.

Unrestricted contributions are recognized as revenue in the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Other income is recognized as revenue when due or earned.

(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 cost, unless management has elected to carry the instruments at fair value. The Foundation has not made this election.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs, incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Use of estimates:

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. A significant area requiring the use of management estimates include the determination of useful lives of capital assets for purposes of amortization and provision for contingencies. Actual results could differ from these estimates.

UNION GOSPEL MISSION FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2019

3. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,552,507	\$ -	\$ 3,552,507	\$ 3,552,507
Buildings	20,515,581	4,878,347	15,637,234	16,222,902
Building improvements	272,240	237,684	34,556	46,074
	24,340,328	5,116,031	19,224,297	19,821,483
Building project under development	2,423,994	-	2,423,994	491,664
	\$ 26,764,322	\$ 5,116,031	\$ 21,648,291	\$ 20,313,147

Building project under development relates to the development of a new multi storey Women and Family Recovery Centre on the site of the Mission's previous operations on Cordova Street. The new facility and operations will be a place for women (and children) to heal, stabilize and build the solid footing to sustain long term recovery. This will be achieved by expanding the Mission's current wrap-around services as well as providing a recovery program and supportive housing to enable women and women with children to continue their recovery while living in a real home.

4. Due from / to related parties:

	2019	2018
Due from related parties - current: (a)		
Union Gospel Mission	\$ 1,940,128	\$ 1,034,836
Union Gospel (Heatley) Housing Society	311,430	198,166
	\$ 2,251,558	\$ 1,233,002
Due from related party - long-term: (b)		
Union Gospel Housing Society	\$ 1,309,162	\$ 1,250,257
Loan payable to related party: (c)		
Union Gospel Mission	\$ 941,430	\$ -

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

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

UNION GOSPEL MISSION FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2019

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

Amounts due to or from the Mission are non-interest bearing. All other amounts bear interest at the Vancouver City Savings Credit Union ("Vancity") prime rate plus 0.75% (2018 - Vancity prime rate plus 0.75%).

(c) The loan payable to the Mission is non-interest bearing, has no set terms for repayment and is payable on demand. The loan payable arises from loan funding received by the Mission from the B.C. Housing Management Commission ("BCHMC") for the development of the Women and Family Recovery Centre which has been advanced to the Foundation. The BCHMC loan is non-interest bearing, repayable on demand, and may be repaid with future mortgage arrangements with BCHMC or may be forgiven under certain conditions stipulated under the agreement.

5. Related party transactions:

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

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

	2019 Received	2018 Received
Union Gospel Housing Society:		
Interest on related party balances (note 4)	\$ 58,905	\$ 50,048
Union Gospel (Heatley) Housing Society:		
Interest on related party balances (note 4)	\$ 15,444	\$ 1,080
Union Gospel Mission:		
Rental of the Hastings building	\$ 584,313	\$ 584,313
Rental of the New Westminster building	12,873	12,873
	\$ 597,186	\$ 597,186

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.

UNION GOSPEL MISSION FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2019

5. Related party transactions (continued):

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

	2019	2018
Unrestricted donations:		
Legacy and estate gifts	\$ 4,484,757	\$ 683,559
Other	900,000	900,000
	<u>5,384,757</u>	<u>1,583,559</u>
Restricted donations:		
Women and family recovery centre project	3,136,832	2,544,465
	<u>\$ 8,521,589</u>	<u>\$ 4,128,024</u>

In support of the Mission's operations, the Foundation made donations to the Mission in the amount of \$390,319 (2018 - \$527,564) during the year.

6. Restricted cash and cash equivalents:

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

7. Mortgage payable:

	2019	2018
Mortgage payable to the Royal Bank of Canada, due on May 1, 2021, repayable in monthly installments of \$32,847 including principal and interest at 4.38% per annum, secured by an assignment of the Original Mortgage Agreement and Assignment of Rents Agreement with BCHMC	\$ 6,251,299	\$ 6,371,228
Less current portion	125,240	119,930
	<u>\$ 6,126,059</u>	<u>\$ 6,251,298</u>

UNION GOSPEL MISSION FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2019

7. Mortgage payable (continued):

Annual principal repayments on mortgage payable in the next five years and thereafter, assuming renewal under similar terms and conditions, are as follows:

2020	\$ 125,240
2021	130,787
2022	136,579
2023	142,628
2024	148,945
Thereafter	5,567,120
	<hr/>
	\$ 6,251,299

8. Contingent liability:

In May 2008, the Foundation entered into a forgivable loan agreement with BCHMC, which is secured by a second charge over the real property. The loan amount of \$5,000,000 was used to fund the construction of the Hastings building. Repayment of principal and interest will not be required unless the land ceases to be used for the intended purposes, being the development of a minimum of 150 transitional housing units operated for the benefit of "Eligible Occupants".

If the Foundation fulfills the intended purposes the loan will be forgiven at the rate of 1/25 of the outstanding balance per year commencing in the 11th year subsequent to completion of the project being 2021. If repayment is required, interest will be calculated at the Royal Bank prime rate plus 2% per annum, compounded semi-annually not in advance and the loan will be repayable over a 35 year period. The Foundation expects to meet the condition over the 35 year period and has therefore recorded the amount in net assets invested in capital assets.

9. Bank credit facility:

The Foundation is included as a co-borrower, together with the Mission, in respect of a \$1.5 million operating credit facility arranged with Vancouver City Savings Credit Union ("Vancity"). The facility bears interest at the Vancity prime rate plus 0.75% per annum. As at June 30, 2019 (2018 - nil) there was no outstanding balance under this facility.

UNION GOSPEL MISSION FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2019

10. Internally restricted funds and interfund transfers:

Internally restricted funds consist of the following:

	Building Maintenance Fund	Social Enterprise Fund	New Initiatives and Innovation Fund	Total
Opening balance	\$ 475,496	\$ -	\$ -	\$ 475,496
Transfers in from General Fund				
Establish funds	-	250,000	250,000	500,000
Transfers out to General Fund				
Expenditures during the year	(32,584)	(52,560)	-	(85,144)
	(32,584)	197,440	250,000	414,856
	\$ 442,912	\$ 197,440	\$ 250,000	\$ 890,352

Other interfund transfers during the year consist of the following:

- Transfer of \$203,015 from the Capital Asset Fund to General Fund for net receipts of rent collected over mortgage payments paid.
- Transfer of \$66,365 from the Women and Family Recovery Centre Fund to the General Fund for interim transitional costs related to the relocation of the Women and Family operations during the Centre development period.

11. Commitments:

The Mission entered into various third party supply agreements with committed payments related to the Women and Family Recovery Centre development as described below. All costs related to the development of the Centre to date are being funded by and recorded in the Foundation.

2020	\$ 8,828,178
2021	19,445,716
	\$ 28,273,894

UNION GOSPEL MISSION FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2019

12. Financial risks and concentrations of risks:

(a) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from the prior year.

(b) Credit risk:

Credit risk is the risk of economic loss arising from a party's failure to repay or service debt according to contractual terms. Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents and receivables. The Foundation has deposited cash and cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote. Management does not believe the Foundation is subject to any significant credit risks related to its accounts receivables or amounts due from related parties. There has been no change to the risk exposures from the prior year.

(c) Interest rate risk:

The Foundation is exposed to interest rate risks on its interest bearing instruments. Its long-term receivable from related party (note 4) has a floating rate of interest which is subject to cash flow risk. The Foundation's bank long-term debt (note 7) which has a fixed rate of interest is subject to fair value risk. There has been no change to the risk exposures from the prior year.

13. Remuneration disclosure:

The *Societies Act* (British Columbia) has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors. For the fiscal years ending June 30, 2019 and 2018, the Foundation did not have any employees or contractors with annual remuneration in excess of \$75,000, and no member of the Board of Directors received remuneration.