

Financial Statements of

UNION GOSPEL MISSION

And Independent Auditors' Report thereon

Year ended June 30, 2020



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INDEPENDENT AUDITORS' REPORT

To the Members 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, 2020
- 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 and schedule of expenses

(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, 2020 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.



Emphasis of Matter – Comparative Information

We draw attention to Note 15 to the financial statements (“Note 15”) which explains that certain comparative information presented for the year ended June 30, 2019 has been restated.

Note 15 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion was not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended June 30, 2020, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended June 30, 2019. In our opinion, such adjustments are appropriate and have been properly applied.

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.

Chartered Professional Accountants

Vancouver, Canada

October 22, 2020

UNION GOSPEL MISSION

Statement of Financial Position

June 30, 2020, with comparative information for 2019

	General Fund	Designated Funds	Capital Asset Fund	Total 2020	Total 2019
					(Restated - note 15)
Assets					
Current assets:					
Cash and cash equivalents	\$ 9,806,462	\$ 678,818	\$ -	\$ 10,485,280	\$ 7,113,954
Accounts receivable	470,764	-	-	470,764	76,966
Due from related parties (note 6)	1,071,434	-	-	1,071,434	1,294,635
Prepaid expenses	208,941	-	-	208,941	154,821
Loan receivable from related party (note 8)	-	-	937,049	937,049	941,430
	11,557,601	678,818	937,049	13,173,468	9,581,806
Capital assets (note 3)	-	-	865,820	865,820	867,236
Building project under development (note 3)	-	-	13,243,902	13,243,902	2,423,994
Intangible asset (note 4)	179,418	-	-	179,418	224,272
	\$ 11,737,019	\$ 678,818	\$ 15,046,771	\$ 27,462,608	\$ 13,097,308

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued liabilities (note 5)	\$ 1,576,930	\$ -	\$ -	\$ 1,576,930	\$ 1,048,884
Due to related parties (note 6)	3,705,095	-	-	3,705,095	1,996,378
Note payable to BCHMC (note 8)	-	-	937,049	937,049	941,430
	5,282,025	-	937,049	6,219,074	3,986,692

Net assets:

Unrestricted	6,454,994	-	-	6,454,994	5,712,590
Externally restricted	-	678,818	-	678,818	106,796
Invested in capital assets	-	-	14,109,722	14,109,722	3,291,230
	6,454,994	678,818	14,109,722	21,243,534	9,110,616

Related party transactions (note 7)

Contingent liability (note 10)

Commitments (note 11)

Contingency - impact of COVID-19 (note 14)

	\$ 11,737,019	\$ 678,818	\$ 15,046,771	\$ 27,462,608	\$ 13,097,308
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See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

UNION GOSPEL MISSION

Statement of Operations

Year ended June 30, 2020, with comparative information for 2019

	General Fund	Designated Funds	Capital Asset Fund	Total 2020	Total 2019
					(Restated - note 15)
Revenue:					
General donations	\$ 20,819,846	\$ 773,809	\$ -	\$ 21,593,655	\$ 16,249,294
Gifts-in-kind	1,256,928	-	-	1,256,928	1,586,041
Legacy and estate gifts	2,541,708	-	-	2,541,708	5,584,757
Other donations (notes 15 and 7(c))	7,091,383	-	10,819,908	17,911,291	5,712,334
Residential rental income	192,125	-	-	192,125	165,946
Commercial rental income	100,296	-	-	100,296	119,239
Thrift store sales	498,969	-	-	498,969	521,775
Other sales and services	89,539	-	-	89,539	79,548
Interest and investment income (note 6(a))	163,237	-	-	163,237	208,914
Miscellaneous revenues	11,634	-	-	11,634	16,621
	32,765,665	773,809	10,819,908	44,359,382	30,244,469
Expenses: (Schedule)					
Programs:					
Outreach and community engagement	2,758,095	-	-	2,758,095	2,435,801
Addiction recovery	1,358,175	-	-	1,358,175	1,269,011
Women and children	2,293,723	-	-	2,293,723	2,170,493
Food services	2,173,404	-	-	2,173,404	1,947,176
Thrift store operations:					
Gifts in kind	1,150,888	-	-	1,150,888	1,332,274
Other	507,694	-	-	507,694	404,295
Other program costs	1,058,727	-	-	1,058,727	1,021,809
Properties and infrastructure (note 3):					
Building operations	1,226,398	-	42,883	1,269,281	1,498,418
Infrastructure and other	897,794	-	194,992	1,092,786	1,134,849
Other operating costs:					
Public education and fundraising	5,067,437	-	-	5,067,437	4,644,288
General administration	1,725,997	-	-	1,725,997	1,643,516
	20,218,332	-	237,875	20,456,207	19,501,930
Excess of revenue over expenses before gifts to qualified donees	12,547,333	773,809	10,582,033	23,903,175	10,742,539
Gifts to qualified donees (note 7(b))	(11,770,257)	-	-	(11,770,257)	(8,521,589)
Excess of revenue over expenses	\$ 777,076	\$ 773,809	\$ 10,582,033	\$ 12,132,918	\$ 2,220,950

See accompanying notes to financial statements.

UNION GOSPEL MISSION

Statement of Changes in Net Assets

Year ended June 30, 2020, with comparative information for 2019

	General Fund	Designated Funds	Capital Asset Fund	Total 2020	Total 2019 (Restated - note 15)
Balance, beginning of year	\$ 5,712,590	\$ 106,796	\$ 3,291,230	\$ 9,110,616	\$ 6,889,666
Excess of revenue over expenses	777,076	773,809	10,582,033	12,132,918	2,220,950
Fund transfers during the year	(34,672)	(201,787)	236,459	-	-
Balance, end of year	\$ 6,454,994	\$ 678,818	\$ 14,109,722	\$ 21,243,534	\$ 9,110,616

See accompanying notes to financial statements.

UNION GOSPEL MISSION

Statement of Cash Flows

Year ended June 30, 2020 with comparative information for 2019

	2020	2019
		(Restated - note 15)
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	\$ 12,132,918	\$ 2,220,950
Items not involving cash:		
Amortization of capital assets	237,875	453,642
Amortization of intangible asset	44,854	-
Changes in non-cash operating working capital:		
Accounts receivable	(393,798)	(30,654)
Prepaid expenses	(54,120)	37,075
Accounts payable and accrued liabilities	528,046	194,187
Amounts due to/from related parties	1,931,918	803,775
	14,427,693	3,678,975
Investing:		
Repayment (advances) of loan amounts to related party	4,381	(941,430)
Acquisition of capital assets	(236,459)	(279,441)
Acquisition of building project under development	(10,819,908)	(2,423,994)
Acquisition of intangible asset	-	(224,272)
	(11,051,986)	(3,869,137)
Financing:		
Loan proceeds from (payment to) BCHMC (note 8)	(4,381)	941,430
Increase in cash and cash equivalents	3,371,326	751,268
Cash and cash equivalents, beginning of year	7,113,954	6,362,686
Cash and cash equivalents, end of year	\$ 10,485,280	\$ 7,113,954

See accompanying notes to financial statements.

UNION GOSPEL MISSION

Notes to Financial Statements

Year ended June 30, 2020

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 ("Society") 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 9).

(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.

(c) 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 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.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2020

2. Significant accounting policies (continued):

(d) Capital assets:

Capital assets are stated at historical cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Asset	Basis	Rate
Buildings	Straight-line	20 years
Equipment	Declining balance	20 to 30%
Automobile	Declining balance	30%
Computer software	Declining balance	30%
Furniture and fixtures	Declining balance	30%
Leasehold improvements	Straight-line	15 to 20 years

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.

(e) Intangible asset:

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

(f) Impairment of long-term assets:

The Mission reviews the carrying value of its 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.

(g) 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.

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, 2020

2. Significant accounting policies (continued):

(h) 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.

(i) 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.

(j) 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.

(k) Use of estimates:

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. A significant area requiring the use of management estimates includes 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

Notes to Financial Statements (continued)

Year ended June 30, 2020

3. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
				(Restated - note 15)
Land	\$ 85,400	\$ -	\$ 85,400	\$ 85,400
Buildings	244,367	244,367	-	10,829
Equipment	2,144,647	1,907,665	236,982	259,891
Automobile	963,511	829,955	133,556	129,083
Computer software	87,485	75,231	12,254	17,506
Furniture and fixtures	1,099,409	950,802	148,607	184,270
Leasehold improvements	936,017	686,996	249,021	180,257
	5,560,836	4,695,016	865,820	867,236
Building project under development (note 4)	13,243,902	-	13,243,902	2,423,994
	\$ 18,804,738	\$ 4,695,016	\$ 14,109,722	\$ 3,291,230

Amortization of \$237,875 (2019 - \$453,642) is included in properties and infrastructure expenses in the statement of operations.

The building project under development relates to the development of a new multi-storey Women and Family Recovery Centre (the "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 sustain long-term recovery by expanding the Mission's current wrap-around services, as well as, providing a recovery program and supportive housing.

To date, the costs incurred for the Centre project 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. Prior to the current fiscal year, all costs related to the development of the Centre were being recorded in the Foundation's financial statements which has since been restated (see note 15).

During the current fiscal year ended June 30, 2020, the Union Gospel Housing Society (the "Society"), the legal and beneficial owner of the Cordova Street land parcel on which the Centre is being built, executed a redevelopment license to the Mission, effective retroactive to October 31, 2018, which provided the Mission the right to construct on the property. In addition, the land parcel was transferred from the Society to the Foundation through a gift agreement effective April 1, 2020. Upon receipt of the land, the Foundation provided a ground lease to the Mission, which allows the Mission to construct a building or otherwise enjoy the land.

As developer of the Centre, the Mission is responsible for the financial commitments of the project (note 11(b)) until completion of the project. Upon completion of the Centre project in 2022, it is expected that the Mission will transfer the building to the Foundation, as the ultimate owner, and Mission will provide all programming, housing, and related services within the facility.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2020

4. Intangible asset:

	2020	2019
Intangible asset	\$ 224,272	\$ 224,272
Accumulated amortization	(44,854)	-
	\$ 179,418	\$ 224,272

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$160,819 (2019 - \$70,123), which includes amounts payable to WorkSafe BC and the Minister of Finance.

6. Due from (to) related parties:

	2020	2019
Due from related parties - current:		(Restated - note 15)
Union Gospel (Heatley) Housing Society	\$ 714,800	\$ 566,196
Union Gospel Housing Society	356,634	728,439
	\$ 1,071,434	\$ 1,294,635
Due to related parties - current:		
Union Gospel Mission Foundation	\$ 3,705,095	\$ 1,996,378

The current amounts due to or from related parties have no set terms for repayment and are payable on demand. Amounts due to or from the Foundation are non-interest bearing. All other amounts bear interest at the Vancouver City Savings Credit Union ("Vancity") prime rate plus 0.75% (2019 - Vancity prime rate plus 0.75%).

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2020

7. Related party transactions:

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

	2020	2019
	Received (paid)	Received (paid)
Union Gospel (Heatley) Housing Society:		
Administration services	\$ 60,000	\$ 60,000
Building costs	570,379	491,815
Interest on related party balances (note 6)	31,112	27,046
Tenant services	54,000	54,000
Thrift store rental	(84,892)	(86,083)
Thrift store property tax	(26,306)	(30,124)
Office and housing rent	(112,500)	(97,500)
Union Gospel Housing Society:		
Administration services	35,000	35,000
Interest on related party balances (note 6)	22,750	37,998
Rent for the use of the Cordova Street building	-	(29,672)
Union Gospel Mission Foundation:		
Rent for the use of the Hastings Street and New Westminster buildings	(591,766)	(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.

(b) During the year, the Mission made the following donations to the Foundation:

	2020	2019
Unrestricted donations:		
Legacy and estate gifts	\$ 1,441,708	\$ 4,484,757
Other gifts	2,900,000	900,000
	4,341,708	5,384,757
Restricted donations:		
Women and Family Recovery Centre project	6,872,053	3,136,832
	\$ 11,213,761	\$ 8,521,589

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2020

7. Related party transactions (continued):

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

	2020	2019 (Restated - note 15)
Unrestricted donations - other	\$ 453,271	\$ 390,319
Restricted donations - Women and Family Recovery Centre project costs	10,819,908	2,423,994
	<u>\$ 11,273,179</u>	<u>\$ 2,814,313</u>

The Centre is 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 Centre, 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.

- (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 \$1,227,984 (2019 - \$1,139,734) and are recorded as recovery against the relevant expenses incurred.

8. Note payable to BCHMC and loan receivable from related party:

The Mission entered into a Proposal Development Funding loan agreement with BC Housing Management Commission ("BCHMC") with respect to the capital funding of the Women and Family Recovery Centre ("Centre") development in the Foundation.

The promissory note 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.

This BCHMC loan funding has been advanced to the Foundation and hence has been recorded as a loan receivable from the Foundation. The loan receivable is non-interest bearing, has no set terms for repayment and is payable on demand.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2020

9. Non-consolidated entities:

The Society 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.

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

The Society, 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:

	2020	2019 (Restated - (a))
Assets:		
Total assets	\$ 50,054,979	\$ 48,172,399
Liabilities and net assets:		
Total liabilities	\$ 15,523,727	\$ 14,013,519
Total net assets	34,531,252	34,158,880
	\$ 50,054,979	\$ 48,172,399
Results of operations:		
Total revenue	\$ 15,173,270	\$ 12,619,435
Total expenses	(3,403,075)	(3,544,111)
	\$ 11,770,195	\$ 9,075,324
Cash flow activities:		
Total cash provided by operating activities	\$ 1,499,496	\$ 7,004,323
Total cash provided by (used in) investing activities	(151,394)	865,680
Total cash used in financing activities	(205,907)	(223,806)
Increase in cash	1,142,195	7,646,197
Cash, beginning of year	18,501,223	10,855,026
Cash, end of year	\$ 19,643,418	\$ 18,501,223

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2020

9. Non-consolidated entities (continued):

(a) The prior year's comparatives have been restated for the following:

- Amounts related to the Society due to the change in its financial reporting framework adopted in the current fiscal year on a retroactive basis from the disclosed basis of accounting under BC Housing reporting requirements to the general accounting framework under Canadian accounting standards for not-for-profit organizations.
- Amounts related to the Foundation arising from the Centre related transactions as disclosed in note 15 in these financial statements.

10. Bank credit facility and contingent liability:

The Mission is included as a co-borrower, together with Union Gospel Mission 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, 2020 (2019 - nil) there was no outstanding balance under this facility.

The Mission and the Foundation together arranged credit facilities with the 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 2011 and the Vancity line of credit was repaid. However, the Mission remains contingently liable for the BCHMC and the Royal Bank loans, which together totaled \$11,126,059 (2019 - \$11,251,299) 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.

11. Commitments:

(a) The Mission has five-year lease agreements for office equipment expiring March 31, 2021 and August 31, 2024 and a property lease agreement expiring September 30, 2021.

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

2021	\$	57,888
2022		31,056
2023		26,856
		<hr/>
	\$	115,800

(b) The Mission has entered into various third-party supply agreements with committed payments related to the Women and Family Recovery Centre development (note 3) as follows:

2021	\$	18,220,442
2022		676,255
		<hr/>
	\$	18,896,697

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2020

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 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 other than the potential impact of COVID-19 (note 14).

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, 2020, the Mission paid total remuneration of \$1,376,336 (2019 - \$1,336,466) to the top ten employees for services, each of whom received total annual remuneration of \$75,000 or greater. No remuneration was paid to any members of the Board of Directors.

14. Contingency - Impact of COVID-19:

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Mission's operations is not known at this time. At the time of approval of these financial statements, the Mission has not experienced any significant impact to operations or a reduction in any of its major funding sources and it is not expected that there will be a material financial impact on operations. Management will continue to monitor the on-going financial impact on its cash and budget forecasts, and adjust its operations as required to ensure its ability to fulfill its obligations and continue operations.

UNION GOSPEL MISSION

Notes to Financial Statements (continued)

Year ended June 30, 2020

15. Restatement of prior period comparative information:

Prior to the current fiscal year, all costs related to the development of the Centre as discussed in note 3 were being recorded as project costs under development asset in the Foundation's financial statements. During the current fiscal year ended June 30, 2020, the Union Gospel Housing Society, the legal and beneficial owner of the Cordova Street land parcel on which the Centre is being built, executed a redevelopment license to the Mission, effective retroactive to October 31, 2018. As the terms of the redevelopment license grant the Mission the right to construct and hold the Centre project on the Cordova land parcel effective on a retroactive basis as at October 31, 2018, management has accordingly made an adjustment to record the building under development project costs as an asset and a corresponding amount as donation contribution received from the Foundation in these financial statements.

This adjustment has been made on a retroactive basis with the 2019 comparative financial information being restated to reflect the building development project costs incurred up to June 30, 2019 as follows:

	As previously reported	Adjustment	As restated
Statement of financial position:			
Accounts receivable	\$ 20,716	\$ 56,250	\$ 76,966
Building project under development	-	2,423,994	2,423,994
Due to related parties	1,940,128	56,250	1,996,378
Invested in capital assets	867,236	2,423,994	3,291,230
Statement of operations:			
Other donations	3,288,340	2,423,994	5,712,334
Excess (deficiency) of revenue over expenses	(203,044)	2,423,994	2,220,950
Statement of changes in net assets:			
Excess (deficiency) of revenue over expenses	(203,044)	2,423,994	2,220,950
Net assets, end of year	6,686,622	2,423,994	9,110,616
Statement of cash flows:			
Operating	1,254,981	2,423,994	3,678,975
Investing	(1,445,143)	(2,423,994)	(3,869,137)

UNION GOSPEL MISSION

Schedule of Expenses

Year ended June 30, 2020, with comparative information for 2019

	2020	2019
Salaries and benefits	\$ 12,402,049	\$ 11,459,095
Newsletters and campaign appeals	1,414,260	1,475,168
Gifts-in-kind used	1,256,928	1,586,041
Food and kitchen supplies and services	1,243,960	1,005,134
Rental of facilities	828,758	862,841
Office supplies and services	795,285	735,023
Programs and events	771,526	615,955
Building maintenance and repairs supplies and services	594,481	432,410
Property taxes, utilities, and insurance	482,015	536,625
Fundraising and marketing	430,987	326,399
Staff training and development	422,525	448,586
Professional and consulting services	313,848	265,207
Bank charges and interest	243,252	207,269
Amortization of capital assets	237,875	453,642
Non-recovered goods and services taxes	105,599	110,249
Miscellaneous	95,989	122,020
Amortization of intangible asset	44,854	-
Total expenses	21,684,191	20,641,664
Less recoveries from affiliated entities (note 7(d))	1,227,984	1,139,734
	\$ 20,456,207	\$ 19,501,930