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**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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17th floor, 1030 West Georgia St., Vancouver, BC, Canada V6E 2Y3

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## INDEPENDENT AUDITORS' REPORT

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To the Members of First United Church Community Ministry Society

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of First United Church Community Ministry Society (the "Society"), which comprise the statement of financial position as at September 30, 2021, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at September 30, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of donation revenue was limited to the amounts recorded in the records of the Society and we were unable to determine whether any adjustments might be necessary to donation revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the year ended September 30, 2021 and period ended September 30, 2020, total assets as at September 30, 2021 and September 30, 2020, and net assets at both the beginning and end of September 30, 2021 and September 30, 2020. Our audit opinion on the financial statements for the period ended September 30, 2020 also contained a qualification because of this matter.

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 report. We are independent of the Society in accordance with 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 qualified audit opinion.

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

Management is responsible for the preparation and fair presentation of the 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 Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.



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## INDEPENDENT AUDITORS' REPORT

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Those charged with governance are responsible for overseeing the Society'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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Society 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.

We 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.



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## INDEPENDENT AUDITORS' REPORT

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### Report on Other Legal and Regulatory Requirements

As required by the British Columbia Society Act, we report that, in our opinion, the accounting policies applied in preparing and presenting the 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 year.

*Manning Elliott LLP*

Chartered Professional Accountants

Vancouver, British Columbia

March 1, 2022

**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2021**

|                                 | Operating    | Redevelopment | Internally<br>restricted | 2021          | 2020          |
|---------------------------------|--------------|---------------|--------------------------|---------------|---------------|
| <b>ASSETS</b>                   |              |               |                          |               |               |
| <b>CURRENT</b>                  |              |               |                          |               |               |
| Cash                            | \$ 538,197   | \$ 2,239,229  | \$ -                     | \$ 2,777,426  | \$ 1,250,855  |
| Term deposits                   | -            | -             | -                        | -             | 50,000        |
| Investments (Notes 3, 11)       | -            | -             | 1,056,416                | 1,056,416     | 1,008,635     |
| Accounts receivable             | 81,020       | 650           | -                        | 81,670        | 153,694       |
| Due from related party (Note 4) | 323,252      | -             | -                        | 323,252       | 86,430        |
| Inventory                       | -            | -             | -                        | -             | 2,416         |
| Prepaid expenses                | 5,971        | 20,534        | -                        | 26,505        | 18,747        |
|                                 | 948,440      | 2,260,413     | 1,056,416                | 4,265,269     | 2,570,777     |
| CAPITAL ASSETS (Note 5)         | 8,695,771    | 699,278       | -                        | 9,395,049     | 8,894,787     |
| DEVELOPMENT COSTS (Note 6)      | -            | 1,711,941     | -                        | 1,711,941     | 609,540       |
|                                 | \$ 9,644,211 | \$ 4,671,632  | \$ 1,056,416             | \$ 15,372,259 | \$ 12,075,104 |

See notes to financial statements

**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2021**

|   | Operating    | Redevelopment | Internally<br>restricted | 2021          | 2020          |
|---|--------------|---------------|--------------------------|---------------|---------------|
| <b>LIABILITIES</b>  |              |               |                          |               |               |
| <b>CURRENT</b>  |              |               |                          |               |               |
| Accounts payable and accrued liabilities                        | \$ 363,509   | \$ 243,586    | \$ -                     | \$ 607,095    | \$ 511,145    |
| Government remittances payable                                  | 33,521       | -             | -                        | 33,521        | 45,535        |
| Deferred revenue (Note 7)                                       | 244,296      | -             | -                        | 244,296       | 298,359       |
|   | 641,326      | 243,586       | -                        | 884,912       | 855,039       |
| DEFERRED CONTRIBUTIONS RELATED TO CAPITAL<br>ASSETS (Note 8)    | 434,252      | -             | -                        | 434,252       | 595,919       |
| DEFERRED CONTRIBUTIONS RELATED TO<br>DEVELOPMENT COSTS (Note 9) | -            | 4,428,046     | -                        | 4,428,046     | 1,312,931     |
| ADMINISTERED FUNDS  | -            | -             | -                        | -             | 80,645        |
|   | 1,075,578    | 4,671,632     | -                        | 5,747,210     | 2,844,534     |
| <b>NET ASSETS</b>   | 8,568,633    | -             | 1,056,416                | 9,625,049     | 9,230,570     |
|   | \$ 9,644,211 | \$ 4,671,632  | \$ 1,056,416             | \$ 15,372,259 | \$ 12,075,104 |

OPERATING LEASE COMMITMENTS (Note 12)

**ON BEHALF OF THE BOARD**

DocuSigned by:

Heather Clarke

Director

DocuSigned by:

Jolene M. Christie

Director

See notes to financial statements

**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

|  | Operating           | Redevelopment | Internally<br>restricted | 2021<br>12 months   | 2020<br>9 months    |
|--|---------------------|---------------|--------------------------|---------------------|---------------------|
| NET ASSETS - BEGINNING OF YEAR                               | \$ 8,243,814        | \$ -          | \$ 986,756               | \$ 9,230,570        | \$ 1,040,834        |
| Excess (deficiency) of revenue over expenses<br>for the year | 324,819             | -             | 69,660                   | 394,479             | (34,464)            |
| Donated land (Note 5)  | -                   | -             | -                        | -                   | 8,224,200           |
| <b>NET ASSETS - END OF YEAR</b>                              | <b>\$ 8,568,633</b> | <b>\$ -</b>   | <b>\$ 1,056,416</b>      | <b>\$ 9,625,049</b> | <b>\$ 9,230,570</b> |

**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

|   | Operating    | Redevelopment | Internally<br>restricted | 2021<br>12 months | 2020<br>9 months |
|---|--------------|---------------|--------------------------|-------------------|------------------|
| <b>REVENUE</b>  |              |               |                          |                   |                  |
| BC Housing Management Commission (Schedule)                                     | \$ 1,740,454 | \$ -          | \$ -                     | \$ 1,740,454      | \$ 1,340,636     |
| Grants and Government funding   | 1,506,990    | -             | -                        | 1,506,990         | 799,537          |
| Donations (Note 10)   | 977,555      | 6,230         | -                        | 983,785           | 557,513          |
| Amortization of deferred contributions related to<br>development costs (Note 9) | -            | 834,245       | -                        | 834,245           | -                |
| Amortization of deferred contributions related to<br>capital assets (Note 8)    | 161,667      | -             | -                        | 161,667           | 86,271           |
| Bequest funds received  | 130,428      | -             | -                        | 130,428           | 10,000           |
| Sponsorships and fees   | 79,648       | -             | -                        | 79,648            | 9,600            |
| Property management services (Note 4)   | 73,725       | -             | -                        | 73,725            | 82,500           |
| Special projects  | 23,185       | -             | -                        | 23,185            | 11,712           |
| Sundry income   | 7,679        | -             | -                        | 7,679             | 25,000           |
|   | 4,701,331    | 840,475       | -                        | 5,541,806         | 2,922,769        |

See notes to financial statements



**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

|   | Operating         | Redevelopment  | Internally restricted | 2021<br>12 months | 2020<br>9 months   |
|---|-------------------|----------------|-----------------------|-------------------|--------------------|
| <b>EXPENSES</b>   |                   |                |                       |                   |                    |
| Salaries and benefits <i>(Notes 4, 13, 14)</i>                      | 3,347,859         | 304,800        | -                     | <b>3,652,659</b>  | 2,261,690          |
| Office  | 251,551           | 79,014         | -                     | <b>330,565</b>    | 155,024            |
| Amortization of capital assets                                      | 199,016           | 122,970        | -                     | <b>321,986</b>    | 119,333            |
| Rent  | -                 | 167,839        | -                     | <b>167,839</b>    | -                  |
| General and program <i>(Note 10)</i>                                | 182,040           | -              | -                     | <b>182,040</b>    | 154,327            |
| Repairs and maintenance - buildings                                 | 128,551           | -              | -                     | <b>128,551</b>    | 91,403             |
| Utilities   | 64,854            | 4,458          | -                     | <b>69,312</b>     | 46,158             |
| Fundraising   | 60,375            | -              | -                     | <b>60,375</b>     | 12,905             |
| Insurance   | 42,894            | -              | -                     | <b>42,894</b>     | 3,090              |
| Legal   | 27,110            | 7,066          | -                     | <b>34,176</b>     | 13,913             |
| Professional fees   | 32,133            | 155,272        | -                     | <b>187,405</b>    | 74,984             |
| Telephone   | 26,858            | 3,419          | -                     | <b>30,277</b>     | 16,652             |
| Special projects  | 8,745             | -              | -                     | <b>8,745</b>      | 10,967             |
| Repairs and maintenance - equipment                                 | 4,742             | -              | -                     | <b>4,742</b>      | 4,828              |
|   | <b>4,376,728</b>  | <b>844,838</b> | <b>-</b>              | <b>5,221,566</b>  | <b>2,965,274</b>   |
| <b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS</b> |                   |                |                       |                   |                    |
|   | <b>324,603</b>    | <b>(4,363)</b> | <b>-</b>              | <b>320,240</b>    | <b>(42,505)</b>    |
| <b>OTHER INCOME (EXPENSES)</b>                                      |                   |                |                       |                   |                    |
| Unrealized gain (loss) on investments                               | -                 | (213)          | 55,746                | <b>55,533</b>     | (283,719)          |
| Gain (loss) on sale of investments                                  | (188)             | 1,321          | 20,209                | <b>21,342</b>     | 290,225            |
| Investment income   | 404               | 3,255          | 562                   | <b>4,221</b>      | 9,083              |
| Investment management fees  | -                 | -              | (6,857)               | <b>(6,857)</b>    | (7,548)            |
|   | <b>216</b>        | <b>4,363</b>   | <b>69,660</b>         | <b>74,239</b>     | <b>8,041</b>       |
| <b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR</b>    |                   |                |                       |                   |                    |
|   | <b>\$ 324,819</b> | <b>\$ -</b>    | <b>\$ 69,660</b>      | <b>\$ 394,479</b> | <b>\$ (34,464)</b> |

See notes to financial statements

**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

|   | 2021<br>12 months   | 2020<br>9 months    |
|---|---------------------|---------------------|
| <b>OPERATING ACTIVITIES</b>   |                     |                     |
| Excess (deficiency) of revenue over expenses                        | \$ 394,479          | \$ (34,464)         |
| Items not affecting cash:   |                     |                     |
| Amortization of deferred contributions related to development costs | (834,245)           | -                   |
| Amortization of deferred contributions related to capital assets    | (161,667)           | (86,271)            |
| Amortization of capital assets                                      | 321,986             | 119,333             |
| Unrealized (gain) loss on investments                               | (55,533)            | 283,719             |
| Gain on sale on investments   | (21,342)            | (290,255)           |
|   | <b>(356,322)</b>    | <b>(7,938)</b>      |
| Changes in non-cash working capital:                                |                     |                     |
| Accounts receivable   | 72,024              | (141,199)           |
| Inventory   | 2,416               | -                   |
| Prepaid expenses  | (7,758)             | (6,581)             |
| Accounts payable and accrued liabilities                            | 95,950              | 243,766             |
| Government remittances payable                                      | (12,014)            | (23,315)            |
| Deferred revenue  | (54,063)            | 9,098               |
|   | <b>96,555</b>       | <b>81,769</b>       |
|   | <b>(259,767)</b>    | <b>73,831</b>       |
| <b>INVESTING ACTIVITIES</b>   |                     |                     |
| Proceeds from sale of investments                                   | 1,014,184           | 1,111,634           |
| Purchase of investments   | (985,090)           | (1,136,326)         |
| Purchase of capital assets  | (822,248)           | (4,002)             |
| Administered funds  | (80,645)            | 532                 |
| Redemption of term deposits   | 50,000              | -                   |
|   | <b>(823,799)</b>    | <b>(28,162)</b>     |
| <b>FINANCING ACTIVITIES</b>   |                     |                     |
| Deferred contributions related to development costs received        | 3,949,360           | 1,225,700           |
| Development costs incurred  | (1,102,401)         | (509,589)           |
| Due from related party  | (236,822)           | (49,344)            |
|   | <b>2,610,137</b>    | <b>666,767</b>      |
| <b>INCREASE IN CASH FLOW</b>  | <b>1,526,571</b>    | <b>712,436</b>      |
| <b>CASH - BEGINNING OF YEAR</b>                                     | <b>1,250,855</b>    | <b>538,419</b>      |
| <b>CASH - END OF YEAR</b>   | <b>\$ 2,777,426</b> | <b>\$ 1,250,855</b> |
| <b>NON-CASH INVESTING ACTIVITY</b>                                  | <b>\$ -</b>         | <b>\$ 8,648,600</b> |

See notes to financial statements

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**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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**PURPOSE OF THE SOCIETY**

First United Church Community Ministry Society (the "Society") is incorporated under the British Columbia Societies Act. The Society's activities consists of work related to the ministry of social justice, hospitality and pastoral care in the Downtown Eastside of Vancouver. The Society is a registered charity under the Income Tax Act (Canada) and as such is exempt from income taxes.

During the prior year, the Society changed its fiscal year end from December 31 to September 30. Therefore the current year figures represent the twelve month year ended September 30, 2021 and the comparative figures represent the nine month period ended September 30, 2020.

In March 2020, a global health pandemic was declared due to the COVID-19 virus, which has had a significant impact on businesses and not-for-profit organizations through the restrictions put in place by the Canadian and U.S. governments regarding travel, business operations and isolation/quarantine orders. At this time, the extent of the impact that the COVID-19 health pandemic may have on the Society is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, U.S. and other countries to fight the virus. The Society continues to monitor its operations and assess the impact COVID-19 will have on its operating activities. At this time, the extent of the effect of the COVID-19 pandemic on the Society is uncertain.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") under Part III of the CPA Canada Handbook - Accounting. Financial statements prepared in accordance with ASNPO are also in accordance with Canadian generally accepted accounting principles ("GAAP").

These financial statements have, in management's opinion been prepared within reasonable limits of materiality using the significant accounting policies noted below:

The Society's policy is to record revenue and expenses in the statement of operation and then allocate them to the designated funds as follows:

- i) The operating fund is for the Society's operating activities.
- ii) The redevelopment fund is to be used for the redevelopment of the Society's property
- iii) The internally restricted fund is to be used for specific purposes determined by the board of directors.

(a) Cash

Cash includes cash on hand and balances held with banks.

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**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

(b) Financial instruments

i) Measurement

The Society's financial instruments consist of cash, term deposits, investments, accounts receivable, due from related party and accounts payable. The Society initially measures all of its financial assets and liabilities at fair value. The Society subsequently measures all of its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of equity instruments carried at fair value are recognized in the statement of operations.

ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations in the period in which it is determined.

iii) Transaction costs

Transaction costs are recognized in the statement of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized cost. Transaction costs associated with the financial instruments measured at amortized cost are capitalized and are included in the acquisition cost or deducted against proceeds on disposal.

(c) 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 about future events that affect the reported amounts of assets, liabilities, revenues and expenses as at the end of, or during, the reporting period. Management believes that the estimates used are reasonable and prudent, however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of accounts receivable, the determination of the useful lives of capital assets used for calculating amortization, measurement of deferred revenue, deferred contributions related to capital assets and development costs and the amounts recorded as accrued liabilities.

**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

(d) Capital assets and development costs

Capital assets are stated at cost less accumulated amortization and amortized over their estimated useful lives on the straight line basis as follows:

|                         |               |
|-------------------------|---------------|
| Building                | 5 years       |
| Furniture and equipment | 5 years       |
| Building improvements   | 2 to 10 years |
| Leasehold improvement   | 5 years       |
| Computer equipment      | 5 years       |
| Automobile              | 10 years      |

The Society's policy is to record a write-down to a capital asset's fair value or replacement cost when conditions indicate that a capital asset is impaired. Such conditions include when the capital asset no longer contributes to the Society's ability to provide goods and services or when the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. Write-downs are recognized as an expense in the statement of operations and are not reversed.

The Society has started to incur development costs for the re-development of the building. No amortization will be recorded on the building until the building is substantially put into use.

(e) Revenue recognition

The Society 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.

Investment income, including realized and unrealized capital gains, is recognized in the period the investment income is earned.

Deferred revenue represents operating funding received in the current period that is designated for a subsequent period.

Deferred contributions related to capital assets represent contributions that are restricted for the purchase of capital assets. These contributions are amortized and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Deferred contributions related to development costs represent contributions that are restricted for the future re-development of the building. These contributions are recognized on the same basis as the related development costs and are not amortized at this time, unless the costs relate to expenditures expensed during the year.

(f) Contributed services and materials

The Society benefits from contributed services in the form of volunteer time and contributed materials. Contributed services are not recognized in the financial statements. Contributed materials are recorded at their fair value only when a realizable value of the related benefit can be reasonably estimated and the materials are used in the normal course of operations and would otherwise have been purchased.

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**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

(g) Employee future benefits

Eligible employees of the Society participate in a defined benefit plan administered by the United Church of Canada. Pension benefits are expensed during the period that the contributions are made. Although the benefits have been earned under defined benefit plans, because they are multi-employer plans, sufficient information to follow the accounting standards on defined benefit plans is not available. Accordingly, the Society accounts for its employees' pension benefits by following accounting standards for defined contribution plans whereby the costs for the period are recognized as an expense.

2. FINANCIAL INSTRUMENTS RISKS

The Society's financial instruments are described in Note 1(b). In management's opinion, the Society is not exposed to significant credit, liquidity, market, currency, interest rate or other price risks arising from these financial instruments, except as described below. In addition, there has been no significant change in risk exposure from the prior year.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risk relates to accounts receivable and due from related party. The Society maintains, if deemed necessary, provision for potential credit losses, and any such losses to date have been within management's expectations. Although the COVID-19 health pandemic has had a significant impact on many organizations, based on the nature of the Society's accounts receivable, management has determined the Society's credit risk to be minimal and will continue to monitor receivables to mitigate any potential credit risk.

*Liquidity risk*

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with liabilities. The Society is exposed to this risk mainly in respect of its accounts payable. The Society's objective is to have sufficient financial liquidity to meet its financial obligations as they become due. The Society's ability to meet obligations depends on the receipt of government funding and the generosity of its donors. The Society controls liquidity risk by managing its working capital and cash flows. There is increased liquidity risk as a result of the COVID-19 health pandemic, as there is a risk that the Society might not receive as many donations as in the past. The Society will continue to monitor its cash flows and pro-actively communicate with all parties to mitigate this risk and anticipates that its cash reserves will adequately minimize liquidity risk.

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Society is mainly exposed to interest rate and other price risks.

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**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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2. FINANCIAL INSTRUMENTS RISKS (*continued*)

*Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. The primary financial risk to the Society lies in the exposure of its investment income stream to the effects of fluctuations in market interest rates. Due to the minimal income stream from its investment income, it is management opinion that the Society does not need to mitigate its interest rate risk.

*Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is exposed to other price risk through its investments. The Society mitigates this risk by maintaining a diversified portfolio and by regularly reviewing its investment structure and strategy.

*Concentration of risk and economic dependence*

The Society is economically dependent on BC Housing Management Commission ("BCHMC") for its shelter operating funding. In 2021, BCHMC funding comprised 38% of operating revenue (2020 - 47%)

3. INVESTMENTS

Internally restricted investments consist of a large diversified long term fund invested by the Pacific Mountain Region (PMR) of the United Church of Canada.

4. DUE FROM RELATED PARTY

The Society's board of directors includes one director who is also director on the board of First United Church Social Housing Society ("Housing"). However, the number of common members is such that neither organization can control decisions of the other. In addition, the Society and Housing are related through common management.

During the year, the Society received property management service fees in the amount of \$73,725 (2020 - \$82,500) services provided to Housing.

In addition, Housing paid salaries and benefits in the amount of \$877,811 (2020 - \$468,475) for organization support and staffing services provided by the Society.

Account receivable includes \$323,252 (2020 - \$86,430) due from Housing. Amounts invoiced have receivable terms of 30 days repayment and are interest free and unsecured. Housing has fallen behind on payment under these terms, however, the balance outstanding as at September 30, 2021 has been fully collected as of the date of issuance of these financial statements.

All related party transactions were made in the normal course of operations and have been recorded at the amounts paid or received as established and agreed upon by the related parties.

**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

5. CAPITAL ASSETS

|                         | Cost          | Accumulated<br>amortization | 2021<br>Net book<br>value | 2020<br>Net book<br>value |
|-------------------------|---------------|-----------------------------|---------------------------|---------------------------|
| Land                    | \$ 8,224,200  | \$ -                        | \$ 8,224,200              | \$ 8,224,200              |
| Building                | 424,400       | -                           | 424,400                   | 424,400                   |
| Furniture and equipment | 494,981       | 328,528                     | 166,453                   | 40,584                    |
| Building improvements   | 672,045       | 671,866                     | 179                       | 188,268                   |
| Leasehold improvements  | 513,906       | 195,594                     | 318,312                   | 3,998                     |
| Computer equipment      | 169,990       | 149,102                     | 20,888                    | 17,335                    |
| Automobiles             | 166,762       | 36,859                      | 129,903                   | -                         |
|                         | \$ 10,666,284 | \$ 1,381,949                | \$ 9,284,335              | \$ 8,898,785              |

On September 8, 2020, the Society acquired the land and the building located at 320 East Hastings Street, Vancouver, for a nominal amount of \$10. The Society has recorded the land and building at their fair values of \$8,224,200 and \$424,400, respectively. The City of Vancouver Development Permitting Board granted a conditional development permit on January 25, 2021. The building is expected to be demolished in the summer of 2022 to allow for the construction of a new building.

6. DEVELOPMENT COSTS

The Society is redeveloping its property and has incurred development costs towards this project.

|  | 2021         | 2020       |
|--|--------------|------------|
| Balance at beginning of year               | \$ 609,540   | \$ 99,951  |
| Development costs incurred during the year | 1,102,401    | 509,589    |
|  | \$ 1,711,941 | \$ 609,540 |



**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

7. DEFERRED REVENUE

Deferred revenue represents funds received in advance for the purpose of delivering specific programs or special projects, the costs for which have not yet been incurred. The amounts will be recognized as revenue in subsequent years when the expenses are incurred.

|   | 2021       | 2020       |
|---|------------|------------|
| Balance at beginning of year                        | \$ 298,359 | \$ 289,261 |
| Contributions recognized as revenue during the year | (245,351)  | (192,270)  |
| Subtotal  | 53,008     | 96,991     |
| BC Housing Management Commission                    | 145,038    | 145,038    |
| Street to Home Foundation                           | 25,000     | -          |
| Seedlings grant                                     | 15,000     | -          |
| ProVision   | 6,250      | -          |
| Hockey Helps the Homeless                           | -          | 35,750     |
| City of Vancouver Renter Services                   | -          | 14,236     |
| City of Vancouver Community Services                | -          | 6,344      |
|   | 191,288    | 201,368    |
|   | \$ 244,296 | \$ 298,359 |

8. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets, represent restricted contributions that have been spent to purchase capital assets. These contributions are amortized at the same rate as the underlying assets.

|   | 2021       | 2020       |
|---|------------|------------|
| Balance at beginning of year  | \$ 595,919 | \$ 257,790 |
| Building, 320 East Hastings Street, Vancouver (Note 5)                | -          | 424,400    |
| Contributions received during the year                                | -          | 424,400    |
| Less amortization of deferred contributions related to capital assets | (161,667)  | (86,271)   |
|   | \$ 434,252 | \$ 595,919 |

9. DEFERRED CONTRIBUTIONS RELATED TO DEVELOPMENT COSTS

Deferred contributions related to development costs represent funds received in advance for the future development of its property and certain related expenditures.

|   | 2021         | 2020         |
|---|--------------|--------------|
| Balance at beginning of year                        | \$ 1,312,931 | \$ 87,231    |
| Contributions received during the year              | 3,949,360    | 1,225,700    |
| Contributions recognized as revenue during the year | (834,245)    | -            |
|   | \$ 4,428,046 | \$ 1,312,931 |

**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

10. DONATIONS IN-KIND

In addition to monetary donations, the Society receives donations in-kind. During the year, the Society received donations of food and supplies in the amount of \$25,757 (2020 - \$37,482). These amounts have been recorded as donation revenue and a corresponding expense has been included in general and program expense.

During the year, the Society received equity shares traded on a public stock exchange. The shares were recorded at fair market value as at the date they were contributed and sold shortly after. Total revenue of \$30,229 (2020 - \$23,372) from those donations in-kind was included in donation revenue in the statement of operations.

11. INTERNALLY RESTRICTED FUNDS

Internally restricted funds are to be used for specific purposes determined by the Board of Directors and the capital would only be used for general operations on a temporary basis or in extraordinary circumstances. Income earned on the original donations is used to fund charitable program expenses, unless otherwise approved by the Board of Directors.

|                    | 2021                | 2020              |
|--------------------|---------------------|-------------------|
| Chalmers fund      | \$ 869,989          | \$ 812,622        |
| Brownridge fund    | 115,672             | 108,045           |
| Mountain View fund | 70,755              | 66,089            |
|                    | <b>\$ 1,056,416</b> | <b>\$ 986,756</b> |

12. OPERATING LEASE COMMITMENTS

The Society has entered into agreements for the lease of equipment and properties leases due to the reallocation for the redevelopment expiring at varying dates through December 2026. Minimum lease payments under these agreements during the next five fiscal years are anticipated to be as follows:

|      |            |
|------|------------|
| 2022 | \$ 210,651 |
| 2023 | 183,606    |
| 2024 | 23,827     |
| 2025 | 16,811     |
| 2026 | 7,985      |

13. PENSION PLAN

Retirement benefits for employees of the Society are provided through the pension plan of The United Church of Canada (the "Plan"). The Plan is a multi-employer pension plan which provides pensions for members of the Ministry personal and lay employees of the Office of the General Council and any Regional Council or Pastoral Charge of the United Church of Canada. The Plan is a contributory defined benefit pension plan which is financed by contributions from participating employers and employees, and by the investment earnings of the Plan.

The Society's expense for the year in respect of pension contributions for eligible employees to the defined benefit pension plan amounted to \$127,200 (2020 - \$55,566) and has been recorded as salaries and benefits expense in the statement of operations.

**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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14. SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits expense for the year includes ten employees who are senior management of the Society who earned over \$75,000 each for a total of \$947,453 (2020 – two employees that each earned over \$75,000 for a total of \$181,962).

15. FUNDS IN TRUST

The Pacific Mountain Region - United Church of Canada ("PMR") holds an amount of \$2,000,000 (the "Capital") in trust for the purpose of assisting in the redevelopment of the Society's property. The Society may access the Capital provided that it has progressed from planning to construction. The Society has requested an extension to December 31, 2022 and PMR has granted the extension. The Society submitted a development permit application on September 24, 2020. A conditional development permit was granted January 25, 2021.

Investment income from the Capital is available for use by the Society in the planning stage.

The Fund is administered by PMR and the value of the Fund allocated to the Society at September 30, 2021 was \$3,770,644 (2020 - \$3,328,987).

**FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY  
SCHEDULE OF SHELTER OPERATIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**SCHEDULE**

|   | 2021             | 2020             |
|---|------------------|------------------|
| BC HOUSING MANAGEMENT COMMISSION - OPERATIONAL FUNDING  | \$ 1,740,454     | \$ 1,340,636     |
| EXPENSES  |                  |                  |
| Salaries and benefits                                   | 1,530,551        | 1,090,987        |
| Repairs and maintenance - buildings                     | 90,618           | 55,900           |
| Office  | 66,700           | 40,726           |
| General and program                                     | 58,103           | 112,280          |
| Utilities   | 45,364           | 29,182           |
| Insurance   | 28,162           | 1,408            |
| Professional fees                                       | 18,940           | 9,505            |
| Repairs and maintenance - equipment                     | 12,333           | 14,673           |
| Telephone   | 6,003            | 5,930            |
| Legal fees  | -                | 4,111            |
| Resource development                                    | -                | 151              |
|   | <b>1,856,774</b> | <b>1,364,853</b> |
| EXCESS OF REVENUE OVER EXPENSES FROM SHELTER OPERATIONS | \$ (116,320)     | \$ (24,217)      |