

Covenant House Vancouver

Financial statements

June 30, 2023



Independent auditor's report

To the Members of
Covenant House Vancouver

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Covenant House Vancouver** [the "Organization"], which comprise the statement of financial position as at June 30, 2023, and the statement of changes in net assets, statement of operations and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Organization 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.

Other information

Management is responsible for the other information. The other information comprises the information included in the Impact Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Impact Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization 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.

Report on other legal and regulatory requirements

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada
November 29, 2023

Ernst & Young LLP

Chartered Professional Accountants

Covenant House Vancouver

Statement of financial position

As at June 30

	2023	2022
	\$	\$
Assets		
Current		
Cash	2,675,328	986,140
Investments <i>[note 4]</i>	12,684,949	14,021,536
Amounts receivable	509,205	351,449
Prepaid expenses	98,117	19,556
Total current assets	15,967,599	15,378,681
Property and equipment, net <i>[note 5]</i>	57,410,565	55,125,952
Investments <i>[note 4]</i>	3,188,820	4,212,371
	76,566,984	74,717,004
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 6]</i>	2,140,501	2,162,260
Mortgage <i>[note 7]</i>	5,633,675	5,633,675
Total current liabilities	7,774,176	7,795,935
Deferred contributions related to youth education funding <i>[note 8]</i>	116,949	145,074
Deferred contributions related to human trafficking grant <i>[note 9]</i>	—	25,932
Deferred contributions related to Foundations Program <i>[note 10]</i>	287,403	—
Deferred contributions related to Sanctuary Program <i>[note 11]</i>	1,422,444	1,000,000
Deferred contributions related to property and equipment and expansion project <i>[note 12]</i>	46,719,462	45,560,783
Total liabilities	56,320,434	54,527,724
Commitments <i>[notes 5 and 14]</i>		
Net assets		
Property and equipment	6,823,804	7,143,865
Internally restricted	11,829,776	11,093,059
Unrestricted	1,592,970	1,952,356
Total net assets	20,246,550	20,189,280
	76,566,984	74,717,004

See accompanying notes

On behalf of the Board:


Director


Director

Covenant House Vancouver

Statement of changes in net assets

Year ended June 30

	2023			2022	
	Property and equipment	Internally restricted	Unrestricted	Total	Total
	\$	\$	\$	\$	\$
Balance, beginning of year	7,143,865	11,093,059	1,952,356	20,189,280	19,452,563
Excess of revenue over expenses for the year	—	—	57,270	57,270	736,717
Purchase of property and equipment	3,808,897	—	(3,808,897)	—	—
Amortization of property and equipment	(1,289,688)	—	1,289,688	—	—
Write-down of property and equipment	(234,596)	—	234,596	—	—
Expansion project contributions	(2,306,190)	—	2,306,190	—	—
Amortization of deferred contributions related to property and equipment	1,147,511	—	(1,147,511)	—	—
Restricted to strategic action fund	—	498,548	(498,548)	—	—
Restricted to sustainability fund	—	238,169	(238,169)	—	—
Investments for expansion project	(1,445,995)	—	1,445,995	—	—
Balance, end of year	6,823,804	11,829,776	1,592,970	20,246,550	20,189,280

See accompanying notes

Covenant House Vancouver

Statement of operations

Year ended June 30

	2023	2022
	\$	\$
Revenue		
Donations and bequests	19,500,359	19,193,003
Covenant House International site investment funding <i>[note 18]</i>	23,749	52,913
Amortization of deferred contributions <i>[note 12]</i>	1,147,511	546,427
Government grants	1,441,388	1,368,562
Interest income	650,534	162,032
Gaming	178,802	286,652
Other income	150,403	250,795
	23,092,746	21,860,384
Expenses <i>[note 16]</i>		
Salaries and benefits <i>[note 17]</i>	16,752,692	15,843,447
Amortization of property and equipment	1,289,688	762,380
Write-down of property and equipment	234,596	—
Postage, printing and advertising	1,494,720	1,418,231
Purchased services	1,401,661	1,546,724
Other	993,075	862,157
Occupancy <i>[note 18]</i>	869,044	690,728
	23,035,476	21,123,667
Excess of revenue over expenses for the year	57,270	736,717

See accompanying notes

Covenant House Vancouver

Statement of cash flows

Year ended June 30

	2023	2022
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	57,270	736,717
Add (deduct) items not affecting cash		
Amortization of deferred contributions	(1,147,511)	(546,427)
Amortization of property and equipment	1,289,688	762,380
Write-down of property and equipment	234,596	—
	<u>434,043</u>	<u>952,670</u>
Changes in non-cash working capital balances		
Amounts receivable	(157,756)	26,469
Prepaid expenses	(78,561)	166,901
Accounts payable and accrued liabilities	(21,759)	(1,000,593)
Deferred contributions related to youth education funding	(28,125)	79,789
Deferred contributions related to human trafficking grant	(25,932)	2,515
Deferred contributions related to Foundations Program	287,403	—
Deferred contributions related to Sanctuary Program	422,444	1,000,000
Cash provided by operating activities	<u>831,757</u>	<u>1,227,751</u>
Investing activities		
Purchase of property and equipment	(3,808,897)	(13,215,374)
Decrease (increase) in investments	2,360,138	(207,909)
Cash provided by (used in) investing activities	<u>(1,448,759)</u>	<u>(13,423,283)</u>
Financing activities		
Deferred contributions related to property and equipment	2,306,190	12,119,205
Cash provided by financing activities	<u>2,306,190</u>	<u>12,119,205</u>
Net increase (decrease) in cash during the year	1,689,188	(76,327)
Cash, beginning of year	986,140	1,062,467
Cash, end of year	<u>2,675,328</u>	<u>986,140</u>

See accompanying notes

Covenant House Vancouver

Notes to financial statements

June 30, 2023

1. Nature of operations

Covenant House Vancouver [the "Organization"] provides care and sanctuary for homeless youth. In operation since 1997 and incorporated under the British Columbia *Society Act* on April 23, 1998, the Organization provides a continuum of care that includes street outreach, residential crisis intervention, assessment, referral, a transitional living program ["Rights of Passage"] and community support services, and plays a role in advocacy for street youth.

The Organization transitioned to the new British Columbia *Societies Act* in April 2018 and is a registered charity under the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

2. Summary of significant accounting policies

Basis of accounting

These financial statements were prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, Accounting Standards for Not-for-Profit Organizations ["ASNPO"].

Cash

Cash consists of cash on deposit with banks and highly liquid short-term investments with a term to maturity of three months or less at the purchase date.

Investments

Investments comprise highly liquid, interest-bearing investments with a maturity at the purchase date of greater than three months but not more than one year.

Financial instruments

Financial instruments are initially measured at fair value, except for related party transactions. Related party financial instruments that have repayment terms are initially recorded at cost, representing the undiscounted cash flows of that instrument, excluding interest and dividend payments. Related party financial instruments that do not have repayment terms are recorded at cost, determined using the consideration transferred or received by the Organization. If the consideration transferred or received has repayment terms, then the cost is determined using the undiscounted cash flows, excluding interest and dividend payments, of the financial instrument transferred as consideration. If, however, the consideration transferred is an asset or liability that does not have repayment terms, the cost is initially recognized at the carrying or exchange amount of the consideration transferred or received, depending on the circumstances. The exchange amount is used when the transaction is in the normal course of operations or the transaction is not in the normal course of operations but has commercial substance, the change in ownership interest in the related financial item transferred is substantive and the amount of consideration transferred or received is established and agreed to by the related parties and is supported by independent evidence. Otherwise, the carrying amount of the consideration transferred or received is used as the cost of the related party financial instrument.

Transaction costs are recognized as expenses in the period incurred. However, arm's length financial instruments that are not subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their organization, issuance, or assumption.

Covenant House Vancouver

Notes to financial statements

June 30, 2023

Arm's length financial instruments are subsequently measured at amortized cost, except for investments in equity instruments that are quoted in an active market, which are subsequently measured at fair value. Related party financial instruments are subsequently measured at cost.

For financial assets measured using the amortized cost method where there is an indication of impairment such as a significant adverse change in the expected timing or amount of future cash flows from the financial assets, the carrying amounts of the financial assets are reduced. The amount of reduction is recognized as an impairment loss in the statement of operations. When the extent of the impairment of a previously written-down asset decreases and the decrease is related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement. The amount of the reversal is recognized in the statement of operations in the period the reversal occurs.

Property and equipment

Property and equipment are recorded at cost and amortized on the straight-line basis over the estimated useful lives as disclosed in note 5. When conditions indicate that an item of property and equipment no longer contributes to the Organization's ability to provide goods and services, or that the value of the future economic benefits or service potential associated with the item of property and equipment is less than its net carrying amount, the item of property and equipment is written down to its fair value. The write-down is recognized as an expense in the statement of operations. Write-downs are not reversed.

Leases

Leases are classified as either capital or operating leases. Those leases that transfer substantially all the benefits and risks of ownership of the property to the Organization are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments discounted at appropriate interest rates. All other leases are accounted for as operating leases, wherein rental payments are charged to operations as incurred.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Contributions are non-reciprocal transfers to the Organization of cash or other assets or a non-reciprocal settlement or cancellation of its liabilities. Government funding, which includes gaming, provided to the Organization is considered to be a contribution. Externally restricted contributions for which the related restriction is unfulfilled at the statement of financial position date, as well as contributions for expenses of one or more future periods, are deferred and recognized as revenue in the same period or periods in which the restriction is fulfilled or the related expenses are recognized. Restricted contributions for the purchase of property and equipment that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired property and equipment. Restricted contributions for the purchase of property and equipment that will not be amortized are recognized as direct increases in net assets. Restricted contributions for the repayment of debt that is incurred to fund the purchase of property and equipment that will not be amortized are recognized as a direct increase in net assets. Endowment contributions are recognized as direct increases in net assets in the current period.

Interest income is recognized with the passage of time.

Covenant House Vancouver

Notes to financial statements

June 30, 2023

Contributed goods and services

The Organization recognizes contributions of goods and services when a fair value can be reasonably estimated and the goods and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

The fair value of volunteer hours and services is not recognized as they cannot be reasonably estimated.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at rates of exchange in effect when the assets are acquired or obligations incurred. Revenues and expenses are translated at the exchange rates prevailing at the time the transaction occurs. All exchange gains and losses are recognized in the statement of operations in the period in which they arise.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The significant items affected by estimates in these financial statements are the useful life and impairment indicators of property and equipment and the rates and method of amortization. Actual results could differ from those estimates.

3. Financial instruments

Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization's investments earn interest at fixed interest rates and the Organization's mortgage is non-interest bearing.

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 Organization is exposed to credit risk in the event of non-performance by counterparties primarily in connection with its cash, investments and amounts receivable. The Organization mitigates its credit risk with respect to cash and investments by dealing with Canadian financial institutions with no publicly known liquidity problems and, with respect to amounts receivable, by dealing only with what management believes to be financially sound counterparties.

Covenant House Vancouver

Notes to financial statements

June 30, 2023

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk primarily from its accounts payable and accrued liabilities and mortgage. The Organization's ability to meet its obligations depends on generating cash flows from operations and the ability to obtain financing from other sources including its existing and other potential lenders.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization has cash denominated in US dollars of US\$32,241 [2022 – US\$182,718] and thus the Organization is exposed to the risk of fluctuations in earnings and cash flows arising from changes in the exchange rate between the Canadian dollar and the US dollar and the degree of volatility in that rate.

4. Investments

	2023	2022
	\$	\$
Internally restricted – sustainability fund	5,731,496	5,444,021
Internally restricted – strategic action fund	6,245,606	5,649,038
Unrestricted – operating	707,847	2,928,477
	<u>12,684,949</u>	<u>14,021,536</u>
Externally restricted – expansion project <i>[note 12]</i>	1,766,376	3,212,371
Externally restricted – Sanctuary Program <i>[note 11]</i>	1,422,444	1,000,000
	<u>3,188,820</u>	<u>4,212,371</u>
	<u>15,873,769</u>	<u>18,233,907</u>

Investments comprise GICs and deposits bearing interest at rates ranging from 4.65% to 5.15% [2022 – 0.6% to 2.0%] per annum through CIBC Wood Gundy.

The funds designated as internally restricted – sustainability fund are board-restricted funds to be used at the discretion of the board of directors in times of extraordinary and unforeseen needs.

The funds designated as internally restricted – strategic action fund are board-restricted funds to be used at the discretion of the board of directors for strategic purposes and staff initiatives.

Covenant House Vancouver

Notes to financial statements

June 30, 2023

5. Property and equipment

	Amortization period [years]	2023		Net book value \$	2022 Net book value \$
		Cost \$	Accumulated amortization \$		
Land					
1280 Seymour	—	1,000,000	—	1,000,000	1,000,000
1302 Seymour	—	5,633,675	—	5,633,675	5,633,675
Building					
1302 Seymour	40	12,823,462	1,429,187	11,394,275	11,714,862
HVAC	20	586,530	131,969	454,561	483,887
Elevator	25	201,152	36,207	164,945	172,991
1280 Seymour	40	27,979,407	349,743	27,629,664	—
HVAC	20	4,006,330	100,158	3,906,172	—
Elevator	25	640,346	12,807	627,539	—
West Pender Street	40	2,071,474	1,147,547	923,927	975,711
Building improvements	15	123,953	41,397	82,556	272,511
Furniture and equipment	10	2,276,563	385,135	1,891,428	592,930
Vehicles	10	70,375	29,033	41,342	48,379
Computer equipment	3	1,023,976	615,393	408,583	434,338
Development in progress	—	3,251,898	—	3,251,898	33,796,668
		61,689,141	4,278,576	57,410,565	55,125,952

Development in progress

The Organization is undertaking renovations at 326 West Pender Street as Phase 3 of the expansion project. The Organization is committed to a renovation contract for 326 West Pender Street. As at June 30, 2023, the Organization has incurred \$3,251,898 [2022 – \$437,461] related to Phase 3, which has been recorded as development in progress. As at June 30, 2023, the Organization has contracted costs aggregating approximately \$6,300,000 related to the completion of Phase 3 of the expansion project.

Development in progress is not amortized until the related property is placed into service, at which time it will be transferred to its appropriate asset category and amortization will commence.

6. Accounts payable and accrued liabilities

	2023 \$	2022 \$
Trade payables and accrued liabilities	1,974,770	2,091,055
Government remittances	165,731	71,205
	2,140,501	2,162,260

Government remittances consist of payroll taxes, health taxes and workers' safety insurance premiums.

Covenant House Vancouver

Notes to financial statements

June 30, 2023

7. Mortgage

The mortgage is repayable on demand, is non-interest bearing prior to its maturity in April 2029, and a charge on the property at 1302 Seymour Street is provided as collateral. No principal repayments are required prior to maturity. Subsequent to April 2029, if the mortgage is not fully repaid, it bears interest at the prime interest rate plus 2% per annum.

8. Deferred contributions related to youth education funding

Deferred contributions related to youth education funding represent unspent resources, restricted for the delivery of specified programs and received in advance of the Organization's obligation to perform.

	2023	2022
	\$	\$
Balance, beginning of year	145,074	65,285
Contributions	—	110,039
Revenue recognized	(28,125)	(30,250)
Balance, end of year	116,949	145,074

9. Deferred contributions related to human trafficking grant

Deferred contributions related to human trafficking funding represent unspent resources restricted for the development and implementation of practices that will advance knowledge and empowerment support for youth aged 16 to 24 at risk, or survivors, of sexual exploitation and human trafficking in Vancouver.

	2023	2022
	\$	\$
Balance, beginning of year	25,932	23,417
Contributions	32,760	109,808
Revenue recognized	(58,692)	(107,293)
Balance, end of year	—	25,932

10. Deferred contributions related to Foundations Program

Deferred contributions related to the Foundations program represent unspent resources restricted for a residential, harm reduction program designated for youth aged 16 to 26 that do not require medical detox but have identified working on their substance use as a primary goal.

	2023	2022
	\$	\$
Balance, beginning of year	—	—
Contributions	287,403	—
Balance, end of year	287,403	—

Covenant House Vancouver

Notes to financial statements

June 30, 2023

11. Deferred contributions related to Sanctuary Program

Deferred contributions related to the Sanctuary program represent the reserved resource for a new program service to address the needs of increased youth homelessness in Vancouver.

	2023	2022
	\$	\$
Balance, beginning of year	1,000,000	—
Contributions	422,444	1,000,000
Balance, end of year	1,422,444	1,000,000

12. Deferred contributions related to property and equipment and expansion project

Deferred contributions related to property and equipment include contributions that are restricted for the purchase of property and equipment or the expansion project.

	2023	2022
	\$	\$
Property and equipment		
Balance, beginning of year	1,139,934	1,242,296
Amortization of deferred contributions	(181,112)	(102,362)
Balance, end of year	958,822	1,139,934
Expansion project		
Balance, beginning of year	44,420,849	32,745,709
Contributions	2,306,190	2,171,083
Forgivable mortgages	—	9,948,122
Amortization of deferred contributions	(966,399)	(444,065)
Balance, end of year	45,760,640	44,420,849
	46,719,462	45,560,783

1302 Seymour Street

The Organization has a forgivable mortgage owing for \$5,000,000 used for the construction of the property at 1302 Seymour Street. The mortgage is non-interest bearing, has a 35-year term that matures in August 2052, and a charge on the property at 1302 Seymour Street is provided as collateral. A portion of the mortgage is forgiven annually by the lender commencing in August 2027 and ending at the maturity date. In accordance with ASNPO, the Organization has initially recognized the mortgage as a deferred contribution and is subsequently recognizing it as revenue on a straight-line basis over 40 years, which is the same basis as the amortization expense related to the building at 1302 Seymour Street.

The Organization also has a forgivable mortgage owing for \$5,089,232 used for the construction of the property at 1302 Seymour Street. The mortgage is non-interest bearing; has a 20-year term that matures in January 2040; and a third mortgage over the property at 1302 Seymour Street, a general security agreement, an operating

Covenant House Vancouver

Notes to financial statements

June 30, 2023

agreement and an assignment of rents and leases are provided as collateral. A portion of the mortgage is forgiven annually by the lender commencing January 1, 2020 and ending at the maturity date. In accordance with ASNPO, the Organization has initially recognized the mortgage as a deferred contribution and is subsequently recognizing it as revenue on a straight-line basis over 40 years, which is the same basis as the amortization expense related to the building at 1302 Seymour Street.

1280 Seymour Street

The Organization has a forgivable loan for \$7,843,827 used for the redevelopment of the property at 1280 Seymour Street. The loan is non-interest bearing; has a 20-year term that matures in July 2041; and a first mortgage on the property at 1280 Seymour Street, a general security agreement, and an assignment of insurance are provided as collateral. In the event the Organization is in default of the terms of the loan, the lender may, at its sole option, declare that the loan bears interest at 5% per annum and is repayable in blended payments of principal and interest to be then determined. In accordance with ASNPO, the Organization has initially recognized the mortgage as a deferred contribution and is subsequently recognizing it as revenue on a straight-line basis over 40 years, which is the same basis as the amortization expense related to the building at 1280 Seymour Street.

The Organization also has a non-revolving forgivable construction loan for \$2,500,000. The loan is non-interest bearing; has a 35-year term that matures in August 2056; and a second mortgage on the property at 1280 Seymour Street and an assignment of construction contracts and agreements are provided as collateral. 1/25th of the loan is forgiven annually commencing August 2022. In the event the Organization is in default of the terms of the loan, at the option of the lender, the loan immediately becomes due and payable and bears interest at the Royal Bank of Canada's prime interest rate plus 2% per annum. In accordance with ASNPO, the Organization recognized the loan as a deferred contribution and will subsequently recognize it as revenue on a straight-line basis over 40 years, which is the same basis as the amortization expense related to the building at 1280 Seymour Street.

13. Pension plan

The Organization has a defined contribution pension plan. Employees are eligible to join the plan after one year of continuous service. Contributions made by the Organization to the plan are recognized as an expense in the period in which the contributions are made. For the year ended June 30, 2023, contributions made by the Organization amounted to \$405,676 [2022 – \$339,028].

14. Commitments

The Organization has entered into various operating leases and service arrangements expiring at various dates between 2024 and 2027. The building at West Pender Street is situated on leased land, which is subject to a lease from the City of Vancouver expiring on June 25, 2057. The requirements under the lease agreement obligate the Organization to pay the annual property taxes on the property, but there are no lease payments owing.

Covenant House Vancouver

Notes to financial statements

June 30, 2023

The approximate annual minimum payments under these arrangements in each of for the next four years are as follows:

	\$
2024	521,800
2025	25,400
2026	25,400
2027	24,600
	<u>597,200</u>

15. Funds held by the Vancouver Foundation

In April 2005, an agreement was entered into between the Organization and the Vancouver Foundation [the "VF"] whereby the VF holds certain endowment funds totaling \$331,239 on behalf of the Organization. These funds are not included as assets of the Organization as they are administered by the VF. The Organization is the beneficiary of all the income earned on these funds and records the revenue from these funds when received.

16. Summary of program service and other expenses

The expenses incurred during the year by the Organization through program services and other functional areas are as follows:

	2023	2022
	\$	\$
Program services		
Crisis Program		
Salaries and benefits	6,837,636	6,165,936
Postage, printing and advertising	3,620	8,645
Occupancy	296,259	297,691
Purchased services	205,141	242,867
Others	354,789	335,131
Amortization of property and equipment	670,685	304,952
	<u>8,368,130</u>	<u>7,355,222</u>

Covenant House Vancouver

Notes to financial statements

June 30, 2023

	2023	2022
	\$	\$
Outreach/Community Support Services		
Salaries and benefits	2,579,407	2,556,679
Postage, printing and advertising	2,029	4,664
Occupancy	153,205	134,869
Purchased services	120,546	137,079
Others	225,712	254,870
Amortization of property and equipment	228,643	152,476
	<u>3,309,542</u>	<u>3,240,637</u>
Rights of Passage		
Salaries and benefits	2,526,142	2,408,385
Postage, printing and advertising	2,029	5,044
Occupancy	246,160	167,954
Purchased services	122,958	156,520
Others	245,458	152,583
Amortization of property and equipment	228,643	190,595
	<u>3,371,390</u>	<u>3,081,081</u>
Foundations Program		
Salaries and benefits	166,560	—
Occupancy	44,728	—
Purchased services	1,006	—
Others	650	—
	<u>212,944</u>	<u>—</u>
Public education	<u>728,443</u>	<u>750,638</u>
Total programs	15,990,449	14,427,578
Finance and administration	1,783,588	1,828,000
Development	5,261,439	4,868,089
Total expenses	<u>23,035,476</u>	<u>21,123,667</u>

17. British Columbia Societies Act disclosures

The directors of the Organization are not remunerated. The aggregate remuneration paid to the Organization's fifty [2022 – fifty-two] employees and contractors with individual remuneration in excess of \$75,000 per annum is \$5,216,653 [2022 – \$5,458,975].

Covenant House Vancouver

Notes to financial statements

June 30, 2023

18. Related party transactions

During the year ended June 30, 2023, Covenant House International, the ultimate parent organization, charged the Organization \$34,185 [2022 – \$32,587] for the use of certain software and provided the Organization \$23,749 [2022 – \$52,913] to target priority areas within the Organization.