Financial Statements of

COVENANT HOUSE VANCOUVER

And Independent Auditor’s Report thereon

Year ended June 30, 2025

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Board of Covenant House Vancouver

Report on the Audit of 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, 2025
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2025, 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 auditor's 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 Matter – Comparative Information

The financial statements for the year ended June 30, 2024 were audited by another auditor who expressed an unmodified opinion on these financial statements on November 22, 2024.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the impact report.

Our opinion on the financial statements does not cover the other information and we do not and 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 and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the impact report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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.

- 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 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 year.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
November 28, 2025

COVENANT HOUSE VANCOUVER

Statement of Financial Position

June 30, 2025, with comparative information for 2024

		2025		2024
Assets				
Current assets:				
Cash and cash equivalents	$	1,224,416	$	1,155,880
Investments (note 2)		2,530,175		1,758,529
Restricted investments (note 2)		10,485,695		10,403,656
Accounts receivable		442,867		423,804
Prepaid expenses, deposits and supplies		364,931		347,335
		15,048,084		14,089,204
Tangible capital assets (note 3)		61,464,760		63,240,554
Restricted investments (note 2)		5,187,444		2,467,444
	$	81,700,288	$	79,797,202
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 4)	$	2,099,377	$	1,961,489
Deferred contributions – government funding (note 6)		394,483		588,367
Mortgage payable (note 5)		5,633,675		5,633,675
		8,127,535		8,183,531
Deferred contributions (note 6):				
Youth education funding		73,851		93,846
Sanctuary Program		687,444		1,467,444
Deferred capital contributions (note 7)		52,465,426		49,373,880
Total liabilities		61,354,256		59,118,701
Net assets:				
Invested in tangible capital assets (note 8)		3,365,659		8,232,999
Internally restricted (note 15)		10,485,695		10,403,656
Unrestricted		6,494,678		2,041,846
		20,346,032		20,678,501
Commitments (note 10)				
	$	81,700,288	$	79,797,202

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

COVENANT HOUSE VANCOUVER

Statement of Operations

Year ended June 30, 2025, with comparative information for 2024

	2025	2024
Revenue:		
Donations and bequests	$ 23,331,802	$ 19,780,460
Government grants (note 9)	5,115,920	4,145,257
Amortization of deferred capital contributions (note 7)	1,863,349	1,674,019
Interest and investment income (note 11)	886,456	851,874
Other	517,523	599,884
BC Gaming	20,615	114,209
Covenant House International site investment funding (note 14)	8,909	80,256
	31,744,574	27,245,959
Expenses:		
Salaries and benefits	23,523,061	19,389,130
Purchased services (note 15)	2,301,646	1,404,372
Postage, printing and advertising	1,303,101	1,535,097
Other expenses	1,653,741	1,453,166
Occupancy	1,145,021	1,093,517
	29,926,570	24,875,282
Excess of revenue over expenses before the undernoted	1,818,004	2,370,677
Amortization of tangible capital assets	(2,150,473)	(1,938,726)
Excess (deficiency) of revenue over expenses for the year	$ (332,469)	$ 431,951

See accompanying notes to financial statements.

COVENANT HOUSE VANCOUVER

Statement of Changes in Net Assets

Year ended June 30, 2025, with comparative information for 2024

	Invested in tangible capital assets	Internally restricted	Unrestricted	2025 Total	2024 Total
Balance, beginning of year	$ 8,232,999	$ 10,403,656	$ 2,041,846	$ 20,678,501	$ 20,246,550
Excess (deficiency) of revenue over expenses for the year	(287,124)	-	(45,345)	(332,469)	431,951
Change in net assets invested in tangible capital assets (note 8(c))	(4,580,216)	-	4,580,216	-	-
Interfund transfers (note 15)	-	82,039	(82,039)	-	-
Balance, end of year	$ 3,365,659	$ 10,485,695	$ 6,494,678	$ 20,346,032	$ 20,678,501

See accompanying notes to financial statements.

COVENANT HOUSE VANCOUVER

Statement of Cash Flows

Year ended June 30, 2025, with comparative information for 2024

	2025	2024
Cash and cash equivalents provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (332,469)	$ 431,951
Items not involving cash:		
Amortization of deferred capital contributions	(1,863,349)	(1,674,019)
Amortization of tangible capital assets	2,150,473	1,938,726
Changes in non-cash operating working capital:		
Accounts receivable	(19,063)	85,401
Prepaid expenses, deposits and supplies	(17,596)	(249,218)
Accounts payable and accrued liabilities	137,888	(179,012)
Deferred contributions related to government funding	(193,884)	300,964
Deferred contributions related to youth education funding	(19,995)	(23,103)
Deferred contributions related to Sanctuary Program	(780,000)	45,000
	(937,995)	676,690
Investing activities:		
Purchase of tangible capital assets	(374,679)	(7,768,715)
Net redemption (purchase) of investments	(3,573,685)	1,244,140
	(3,948,364)	(6,524,575)
Financing activities:		
Increase in deferred capital contributions	4,954,895	4,328,437
Increase (decrease) in cash and cash equivalents	68,536	(1,519,448)
Cash and cash equivalents, beginning of year	1,155,880	2,675,328
Cash and cash equivalents, end of year	$ 1,224,416	$ 1,155,880

See accompanying notes to financial statements.

Nature of operations:

Covenant House Vancouver (the “Organization”) is a non-profit organization incorporated in April 1998 and registered under the *Societies Act* (British Columbia). The Organization is a registered charity pursuant to Section 149(1)(f) of the *Income Tax Act* and as such is exempt from federal and provincial income taxes. The principal activity of the Organization is to provide a continuum of care that includes street outreach, residential crisis intervention, low barrier complex care programs including Sanctuary and Foundation program, assessment, referral, a transitional living program (“Rights of Passage”), community support services, and to play a role in advocacy for street youth.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - *Accounting* and include the following significant accounting policies:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions.

Government grants and other restricted program funding are recorded as revenue when the related expenses are incurred. Where a portion of such grants relate to a future period, it is deferred and recognized in the period in which the related expenses are incurred. Contributions restricted for the purchase or construction of tangible capital assets are deferred and recognized as revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

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

Restricted contributions for the purchase of tangible capital assets that will not be amortized are recognized as direct increases in net assets. Restricted contributions pertaining to the repayment of debt used to acquire land are recognized as direct increases in net assets.

Investment income is recognized as revenue when earned.

All other revenue is recognized when the services are provided or when the goods are delivered.

(b) Donated services and materials:

The Organization and its members benefit from donated services in the form of volunteer time for various programs. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

Donated goods and other donated services are recorded in these financial statements only when used in the normal course of the Organization’s operations and would otherwise have been purchased and a fair value can be reasonably estimated.

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents include cash and term deposits with initial maturities of 90 days or less at origination.

(d) Tangible capital assets:

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Tangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate that either the full or partial amount of the asset no longer has long-term service potential to the Organization. If such conditions exist, an impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value or replacement cost.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Building	40 years
Building improvements	15 years
Elevator	25 years
HVAC	20 years
Furniture and equipment	10 years
Vehicles	10 years
Computer equipment	3 years

Leasehold improvements are amortized on a straight-line basis over the shorter of their useful lives or the term of the lease.

(e) 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 and the related payments are amortized on a straight line basis over the term of the related leases.

(f) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies have been translated at the rate of exchange in effect at year-end. Non-monetary items, revenues and expenses are translated at rates of exchange in effect when the assets were acquired, or obligations incurred.

Exchange gains and losses are included in the determination of excess (deficiency) of revenues over expenses for the period.

1. Significant accounting policies (continued):

(g) Net assets:

(i) Net assets invested in tangible capital assets represent the Organization's net investment in tangible capital assets which is comprised of the net unamortized amount of property and equipment purchased or constructed less any deferred capital contributions and mortgage payable balances.

(ii) Internally restricted net assets are funds which have been designated for a specific purpose by the organization's Board of Directors. The following funds have been approved by the Board of Directors:

The *Sustainability Fund* is used at the discretion of the Board in times of extraordinary and unforeseen needs.

The *Strategic Action Fund* is used at the discretion of the Board for strategic purposes and staff initiatives.

(iii) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the Organization each year, net of transfers, and are available for general purposes.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

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 Organization 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 Organization 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.

1. Significant accounting policies (continued):

(i) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Items requiring the use of management estimates include the determination of useful lives of capital assets for purposes of amortization and valuation of capital assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from those estimates.

(j) Allocation of expenses:

The Organization allocates expenses on a functional basis amongst its various programs and supporting functional areas. Expenses, such as employee related costs, are identified as related to a specific program or to supporting functional areas and are directly classified accordingly. Centralized costs are allocated to the specific program or to supporting functional areas for services performed. The basis of which may be head count, square footage, or other appropriate drivers. Special projects are not allocated. A summary of functional program allocation is presented in note 12.

2. Investments:

Unrestricted and restricted investments consist of highly liquid, interest-bearing investments with a maturity at the purchase date of greater than three months but not more than one year, including but not limited to guaranteed investment certificates bearing interest at rates ranging from 2.58% to 4.75% (2024 – 5.05% to 5.60%) per annum through CIBC Wood Gundy. The guaranteed investment certificates classified as long-term investments are intended to be held and renewed upon maturity to support future capital projects. The restricted funds are to be used for specific purposes as noted below and are not available for use in the Organization's operations.

Unrestricted and restricted investments are comprised of the following:

	2025	2024
Unrestricted – operating	$ 2,530,175	$ 1,758,529
Internally restricted – sustainability fund (note 15)	6,114,229	5,682,190
Internally restricted – strategic action fund (note 15)	4,371,466	4,721,466
Externally restricted – expansion project (note 7)	4,500,000	1,000,000
Externally restricted – Sanctuary Program (note 6)	687,444	1,467,444
	15,673,139	12,871,100
Less current portion	10,485,695	10,403,656
	$ 5,187,444	$ 2,467,444

3. Tangible capital assets:

	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
Land:				
1280 Seymour	$ 1,000,000	$ -	$ 1,000,000	$ 1,000,000
1302 Seymour	5,633,675	-	5,633,675	5,633,675
	6,633,675		6,633,675	6,633,675
Building:				
1280 Seymour	27,979,407	1,748,713	26,230,694	26,930,179
1302 Seymour	12,823,462	2,070,360	10,753,102	11,073,688
326 West Pender	9,774,941	325,571	9,449,370	9,680,508
	50,577,810	4,144,644	46,433,166	47,684,375
Building improvements:				
1280 Seymour	82,666	12,758	69,908	75,419
326 West Pender	108,628	50,421	58,207	56,456
	191,294	63,179	128,115	131,875
Elevator:				
1280 Seymour	640,346	64,035	576,311	601,925
1302 Seymour	201,152	52,300	148,852	156,899
326 West Pender	110,000	5,867	104,133	108,533
	951,498	122,202	829,296	867,357
HVAC:				
1280 Seymour	4,006,330	500,791	3,505,539	3,705,855
1302 Seymour	586,530	190,622	395,908	425,234
326 West Pender	249,911	16,661	233,250	245,746
	4,842,771	708,074	4,134,697	4,376,835
Leasehold improvements:				
326 West Pender	2,071,474	1,251,121	820,353	872,140
Furniture and equipment	3,059,992	932,877	2,127,115	2,307,877
Vehicles	86,942	45,593	41,349	50,043
Computer equipment	1,417,080	1,100,086	316,994	316,377
	$ 69,832,536	$ 8,367,776	$ 61,464,760	$ 63,240,554

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of $267,269 (2024 – $183,845), which includes amounts payable for payroll related taxes, Employer Health Tax and worker's safety insurance.

5. Mortgage payable:

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.

6. Deferred contributions:

The Organization receives funding for various programs. Some of this funding is received in advance of the delivery of services under these various programs. The programs to which these funds apply are as follows:

	Youth education funding (a)	Government funding (b)	Sanctuary program (c)	2025 Total	2024 Total
Balance, beginning of year	$ 93,846	$ 588,367	$ 1,467,444	$ 2,149,657	$ 1,826,796
Amounts received	3,000	394,483	-	397,483	877,364
Amounts recognized as revenue	(22,995)	(588,367)	(780,000)	(1,391,362)	(554,503)
Balance, end of year	$ 73,851	$ 394,483	$ 687,444	$ 1,155,778	$ 2,149,657

(a) The funds related to youth education program represent unspent resources, restricted for the delivery of specific programs and received in advance of the Organization’s obligation to perform.

(b) The funds related to government programs 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.

(c) The funds related to Sanctuary Program represent unspent resources for a program to address the needs of increased youth homelessness in Vancouver.

7. Deferred capital contributions:

Deferred capital contributions represent restricted contributions for targeted building improvements and for the multi-year three phase expansion project that involved the redevelopment of 1302 Seymour Street, that was completed in fiscal 2019, the redevelopment of 1280 Seymour Street that was completed in fiscal 2023, and the renovation of 326 West Pender Street that was completed in fiscal 2024.

The changes in the deferred capital contributions balance for the year are as follows:

	Tangible capital assets	Expansion project	2025 Total	2024 Total
Balance, beginning of year	$ 901,359	$ 48,472,521	$ 49,373,880	$ 46,719,462
Amounts received	-	4,954,895	4,954,895	4,328,437
Amounts recognized as revenue	(57,464)	(1,805,885)	(1,863,349)	(1,674,019)
Balance, end of year	$ 843,895	$ 51,621,531	$ 52,465,426	$ 49,373,880

Included in the above deferred capital contributions are a variety of forgivable loans and other contributions. These are treated as government contributions and are deferred when received and amortized to revenue over the estimated remaining useful life of the related capital asset.

The Organization has entered into forgivable loan agreements with BC Housing Management Commission ("BCHMC") and Canada Mortgage and Housing Corporation ("CMHC") to fund specific capital related expenditures. Under the agreements, the Organization must meet certain conditions over the loan periods. If the conditions are not met for the remaining term of the loans, the Organization would be liable to pay the $21,769,217 (2024 – $22,865,859) loan balances not previously forgiven, plus interest. Forgivable loans are expected to be forgiven over the next 32 years to 2056.

The Organization has and expects to continue to meet these conditions in the normal course of operations over the loan period. In the event that the conditions for deferral are no longer met, the Organization will record a liability for the repayment of the loan principal and interest at the time of change in conditions.

The details of the forgivable loans are as follows:

				2025	2024
	Term of forgiveness	Original loan	Forgiven to June 30, 2025	Unforgiven balance	Unforgiven balance
1302 Seymour	Fiscal 2028-2052	$ 5,000,000	$ -	$ 5,000,000	$ 5,000,000
1302 Seymour	Fiscal 2021-2040	5,089,232	1,145,077	3,944,155	4,198,606
1280 Seymour	Fiscal 2022-2041	7,843,827	1,568,765	6,275,062	6,667,253
1280 Seymour	Fiscal 2032-2056	2,500,000	-	2,500,000	2,500,000
326 West Pender	Fiscal 2025-2034	4,500,000	450,000	4,050,000	4,500,000
		$ 24,933,059	$ 3,163,842	$ 21,769,217	$ 22,865,859

8. Net assets invested in tangible capital assets:

(a) Invested in tangible capital assets is calculated as follows:

	2025	2024
Tangible capital assets	$ 61,464,760	$ 63,240,554
Amounts financed by:		
Mortgage payable (note 5)	(5,633,675)	(5,633,675)
Deferred capital contributions (note 7)	(52,465,426)	(49,373,880)
	$ 3,365,659	$ 8,232,999

(b) Excess (deficiency) of revenue over expenses:

	2025	2024
Amortization of deferred capital contributions	$ 1,863,349	$ 1,674,019
Amortization of tangible capital assets	(2,150,473)	(1,938,726)
	$ (287,124)	$ (264,707)

(c) Change in net assets invested in tangible capital assets:

	2025	2024
Purchase of tangible capital assets	$ 374,679	$ 7,768,715
Amounts funded by deferred capital contributions	(4,954,895)	(4,328,437)
	$ (4,580,216)	$ 3,440,278

9. Government grants:

Included in government grants are funds received under Reaching Home: Canada's Homelessness Strategy of $141,000 (2024 – nil) for the period May 1, 2024 to March 31, 2025. The funding is provided under an agreement effective May 2024 to March 31, 2026. In accordance with the agreement, the Organization incurred corresponding eligible expenditures of $141,000 (2024 – nil) in connection with the project and has been recorded in note 12 under the Rights of Passage program.

10. Commitments:

The Organization has commitments under operating leases and service arrangements expiring at various dates between 2026 and 2028. 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, 2064. 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. The approximate annual minimum payments under these arrangements in each of for the next three years are as follows:

2026	$	557,798
2027		31,113
2028		17,619
	$	606,530

11. Endowment funds held at Vancouver Foundation:

Endowment fund contributions totaling $332,933 (2024 – $331,239) have been made to the Vancouver Foundation in the name of the Organization. Under the terms of the endowment gifts, the capital amounts will remain the property of and be administered by the Vancouver Foundation and hence are not included in these financial statements. Under the terms of this endowment fund, the Organization receives investment income earned on the capital. Income for the year ended June 30, 2025 of $21,264 (2024 – $20,112) has been recorded in the Statement of Operations.

12. 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:

	2025	2024
Program services:		
Crisis Program:		
Salaries and benefits	$ 6,883,036	$ 6,960,863
Postage, printing and advertising	655	1,855
Occupancy	347,769	294,961
Purchased services	207,848	146,079
Other expenses	433,182	331,216
Amortization of tangible capital assets	752,665	732,240
	8,625,155	8,467,214
Outreach/Community Support Services:		
Salaries and benefits	3,076,624	2,560,865
Postage, printing and advertising	282	1,493
Occupancy	186,848	138,508
Purchased services	91,595	79,378
Other expenses	322,192	295,387
Amortization of tangible capital assets	322,571	329,508
	4,000,112	3,405,139
Rights of Passage:		
Salaries and benefits	3,034,482	2,740,740
Postage, printing and advertising	149	1,493
Occupancy	240,353	256,415
Purchased services	161,479	79,295
Other expenses	275,926	318,804
Amortization of tangible capital assets	430,095	329,508
	4,142,484	3,726,255
Foundations Program:		
Salaries and benefits	1,613,466	1,532,158
Postage, printing and advertising	149	1,507
Occupancy	69,940	75,926
Purchased services	225,831	158,731
Other expenses	143,791	162,474
Amortization of tangible capital assets	107,524	183,060
	2,160,701	2,113,856
Sanctuary Program:		
Salaries and benefits	3,694,151	685,757
Postage, printing and advertising	295	289
Occupancy	210,892	213,551
Purchased services	178,172	36,751
Other expenses	275,945	127,151
Amortization of tangible capital assets	322,571	108,126
	4,682,026	1,171,625
Research, Education & Learning	947,261	848,060
Total programs	24,557,739	19,732,149
Finance and administration	2,057,070	1,996,728
Philanthropy	5,112,234	5,085,131
Special Project (note 15)	350,000	-
Total expenses	$ 32,077,043	$ 26,814,008

13. Disclosure of remuneration:

The Societies Act (British Columbia) requires the disclosure of remuneration paid by the Organization to employees and contractors whose remuneration was at least $75,000, and any amounts of remuneration paid by the Organization to members of the Board of Directors.

For the fiscal year ended June 30, 2025, the Organization paid total remuneration of $5,353,339 (2024 - $4,648,247) to fifty two (2024 – forty six) employees for services, each of whom received total annual remuneration of $75,000 or greater. Included in remuneration is the cost of salaries and premiums for employment insurance, Canada pension plan, workers compensation, benefits including medical, dental, life insurance, long-term disability and pension.

No remuneration of $75,000 or greater was paid to contractors for services and no remuneration was paid to any members of the Board of Directors.

14. Related party transactions:

During the year, Covenant House International, the ultimate parent organization, charged the Organization $35,795 (2024 – $33,635) for the use of certain software and provided the Organization $8,909 (2024 – $80,256) to target priority areas within the Organization. These transactions are in the normal course of operations and are recorded at the exchange amount, as agreed to by the related parties.

15. Internally restricted:

Internally restricted net assets consist of the following:

	Internally restricted net assets		
	Balance, beginning of year	Interfund transfers	Balance, end of year
Sustainability fund	$ 5,682,190	$ 432,039	$ 6,114,229
Strategic action fund	4,721,466	(350,000)	4,371,466
	$ 10,403,656	$ 82,039	$ 10,485,695

During the year, the following interfund transfers occurred:

$350,000 (2024 – $1,426,120) was transferred from the strategic action fund to unrestricted to develop a chatbot that is enabled by artificial intelligence named “Rosey” (2024 – for the expansion project). The initiative aims to engage young people who are currently unable to access the Organization’s services, while also enhancing support for those they already serve. Total expenditure amounted to $387,443 and has been recorded under purchased services in the Statement of Operations. Of this, $350,000 was funded through the strategic action fund, with the remaining balance covered by the daily operating account.

$432,039 (2024 – nil) was transferred from unrestricted to the sustainability fund for the prior year annual surplus.

16. Financial risks and concentration of risks:

(a) Interest rate risk:

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

(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 Organization to concentrations of credit risk consist of cash and cash equivalents, investments and accounts receivable. Cash and cash equivalents is substantially held at one Canadian chartered bank. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The risk associated with investments is managed through the Organization's established Investment Policy. It is management's opinion that the Organization is not exposed to significant credit risks.

(c) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations.

(d) Currency risk:

The Organization is, from time to time, exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates related to their foreign currency denominated cash and cash equivalents. As at June 30, 2025, the Organization has cash and cash equivalents outstanding denominated in US dollars of US$119,494 (2024 – USD$222,189). The Organization does not currently enter into forward contracts to mitigate this risk.

There has been no significant changes in risk exposure from 2024.

17. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform with the presentation of the 2024 financial statements.