Covenant House Vancouver

Financial statements
June 30, 2024

Building a better working world

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, 2024, 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, 2024, 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.

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
November 22, 2024

Covenant House Vancouver

Statement of financial position

As at June 30

	2024	2023
	$	$
Assets		
Current		
Cash	**1,155,880**	2,675,328
Investments *[note 4]*	**12,162,185**	12,684,949
Amounts receivable	**423,804**	509,205
Prepaid expenses	**347,335**	98,117
Total current assets	**14,089,204**	15,967,599
Property and equipment, net *[note 5]*	**63,240,554**	57,410,565
Investments *[note 4]*	**2,467,444**	3,188,820
	79,797,202	76,566,984
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities *[note 6]*	**1,961,489**	2,140,501
Mortgage *[note 7]*	**5,633,675**	5,633,675
Total current liabilities	**7,595,164**	7,774,176
Deferred contributions related to youth education funding *[note 8]*	**93,846**	116,949
Deferred contributions related to government funding *[note 9]*	**588,367**	287,403
Deferred contributions related to Sanctuary Program *[note 10]*	**1,467,444**	1,422,444
Deferred contributions related to property and equipment *[note 11]*	**49,373,880**	46,719,462
Total liabilities	**59,118,701**	56,320,434
Commitments *[note 13]*		
Net assets		
Property and equipment	**9,232,999**	6,823,804
Internally restricted	**10,403,656**	11,829,776
Unrestricted	**1,041,846**	1,592,970
Total net assets	**20,678,501**	20,246,550
	79,797,202	76,566,984

See accompanying notes

On behalf of the Board:

Director

Director

Covenant House Vancouver

Statement of changes in net assets

Year ended June 30

	2024				2023
	Property and equipment	Internally restricted	Unrestricted	Total	Total
	$	$	$	$	$
Balance, beginning of year	**6,823,804**	**11,829,776**	**1,592,970**	**20,246,550**	20,189,280
Excess of revenue over expenses for the year	**—**	**—**	**431,951**	**431,951**	57,270
Purchase of property and equipment	**7,768,715**	**—**	**(7,768,715)**	**—**	—
Amortization of property and equipment	**(1,938,726)**	**—**	**1,938,726**	**—**	—
Expansion project contributions	**(4,328,437)**	**—**	**4,328,437**	**—**	—
Amortization of deferred contributions related to property and equipment	**1,674,019**	**—**	**(1,674,019)**	**—**	—
Restricted to strategic action fund	**—**	**(1,426,120)**	**1,426,120**	**—**	—
Investments for expansion project	**(766,376)**	**—**	**766,376**	**—**	—
Balance, end of year	**9,232,999**	**10,403,656**	**1,041,846**	**20,678,501**	20,246,550

See accompanying notes

Covenant House Vancouver

Statement of operations

Year ended June 30

	2024	2023
	$	$
Revenue		
Donations and bequests	**19,780,460**	19,500,359
Covenant House International site investment funding *[note 17]*	**80,256**	23,749
Amortization of deferred contributions *[note 11]*	**1,674,019**	1,147,511
Government grants	**4,145,257**	1,441,388
Interest income	**851,874**	650,534
Gaming	**114,209**	178,802
Other income	**599,884**	150,403
	27,245,959	23,092,746
Expenses *[note 15]*		
Salaries and benefits *[note 16]*	**19,389,130**	16,752,692
Amortization of property and equipment	**1,938,726**	1,289,688
Write-down of property and equipment	**—**	234,596
Postage, printing and advertising	**1,535,097**	1,494,720
Purchased services	**1,404,372**	1,401,661
Programs and care	**1,453,166**	993,075
Occupancy *[note 17]*	**1,093,517**	869,044
	26,814,008	23,035,476
Excess of revenue over expenses for the year	**431,951**	57,270

See accompanying notes

Statement of cash flows

Year ended June 30

	2024	2023
	$	$
Operating activities		
Excess of revenue over expenses for the year	**431,951**	57,270
Add (deduct) items not affecting cash		
Amortization of deferred contributions related to property and equipment	**(1,674,019)**	(1,147,511)
Amortization of property and equipment	**1,938,726**	1,289,688
Write-down of property and equipment	**—**	234,596
	696,658	434,043
Changes in non-cash working capital balances		
Amounts receivable	**85,401**	(157,756)
Prepaid expenses	**(249,218)**	(78,561)
Accounts payable and accrued liabilities	**(179,012)**	(21,759)
Deferred contributions related to youth education funding	**(23,103)**	(28,125)
Deferred contributions related to human trafficking grant	**—**	(25,932)
Deferred contributions related to government funding	**300,964**	287,403
Deferred contributions related to Sanctuary Program	**45,000**	422,444
Cash provided by operating activities	**676,690**	831,757
Investing activities		
Purchase of property and equipment	**(7,768,715)**	(3,808,897)
Decrease in investments	**1,244,140**	2,360,138
Cash used in investing activities	**(6,524,575)**	(1,448,759)
Financing activities		
Deferred contributions related to property and equipment	**4,328,437**	2,306,190
Cash provided by financing activities	**4,328,437**	2,306,190
Net increase (decrease) in cash during the year	**(1,519,448)**	1,689,188
Cash, beginning of year	**2,675,328**	986,140
Cash, end of year	**1,155,880**	2,675,328

See accompanying notes

Notes to financial statements

June 30, 2024

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 origination, issuance, or assumption.

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.

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.

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$222,189 [2023 – US$32,241] 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

	2024	**2023**
	$	$
Internally restricted – sustainability fund	**5,682,190**	5,682,190
Internally restricted – strategic action fund	**4,721,466**	6,147,586
Unrestricted – operating	**1,758,529**	855,173
	12,162,185	12,684,949
Externally restricted – expansion project *[note 11]*	**1,000,000**	1,766,376
Externally restricted – Sanctuary Program *[note 10]*	**1,467,444**	1,422,444
	2,467,444	3,188,820
	14,629,629	15,873,769

Investments comprise GICs and deposits bearing interest at rates ranging from 5.05% to 5.60% [2023 – 4.65% to 5.15%] 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.

Notes to financial statements

June 30, 2024

5. Property and equipment

	2024				2023
	Amortization period [years]	Cost $	Accumulated amortization $	Net book value $	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
Building					
1302 Seymour	**40**	**12,823,462**	**1,749,774**	**11,073,688**	11,394,275
HVAC	**20**	**586,530**	**161,296**	**425,234**	454,561
Elevator	**25**	**201,152**	**44,253**	**156,899**	164,945
Building improvements	**15**	**82,666**	**7,247**	**75,419**	20,169
1280 Seymour	**40**	**27,979,407**	**1,049,228**	**26,930,179**	27,629,664
HVAC	**20**	**4,006,330**	**300,475**	**3,705,855**	3,906,172
Elevator	**25**	**640,346**	**38,421**	**601,925**	627,539
326 West Pender Street					
Leasehold improvements	**40**	**11,833,331**	**1,280,683**	**10,552,648**	923,927
HVAC	**20**	**249,911**	**4,165**	**245,746**	—
Elevator	**25**	**110,000**	**1,467**	**108,533**	—
Building improvements	**15**	**99,976**	**43,520**	**56,456**	62,387
Furniture and equipment	**10**	**2,942,611**	**634,734**	**2,307,877**	1,891,428
Vehicles	**10**	**86,942**	**36,899**	**50,043**	41,342
Computer equipment	**3**	**1,181,519**	**865,142**	**316,377**	408,583
Development in progress	**—**	**—**	**—**	**—**	3,251,898
		69,457,858	**6,217,304**	**63,240,554**	57,410,565

6. Accounts payable and accrued liabilities

	2024 $	2023 $
Trade payables and accrued liabilities	**1,777,644**	1,974,770
Government remittances	**183,845**	165,731
	1,961,489	2,140,501

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

Notes to financial statements

June 30, 2024

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.

	2024	2023
	$	$
Balance, beginning of year	**116,949**	145,074
Contributions	**7,292**	—
Revenue recognized	**(30,395)**	(28,125)
Balance, end of year	**93,846**	116,949

9. Deferred contributions related to government funding

Deferred contributions related to government funding 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.

	2024	2023
	$	$
Balance, beginning of year	**287,403**	—
Contributions	**825,072**	287,403
Revenue recognized	**(524,108)**	—
Balance, end of year	**588,367**	287,403

10. Deferred contributions related to Sanctuary Program

Deferred contributions related to the Sanctuary program represent the unspent resources for a program to address the needs of increased youth homelessness in Vancouver.

	2024	2023
	$	$
Balance, beginning of year	**1,422,444**	1,000,000
Contributions	**45,000**	422,444
Balance, end of year	**1,467,444**	1,422,444

11. Deferred contributions related to property and equipment

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

	2024	2023
	$	$
Property and equipment		
Balance, beginning of year	**958,822**	1,139,934
Amortization of deferred contributions	**(57,463)**	(181,112)
Balance, end of year	**901,359**	958,822
Expansion project		
Balance, beginning of year	**45,760,640**	44,420,849
Contributions	**4,328,437**	2,306,190
Amortization of deferred contributions	**(1,616,556)**	(966,399)
Balance, end of year	**48,472,521**	45,760,640
	49,373,880	46,719,462

Expansion Project

The Organization undertook a multi-year three phase 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.

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 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 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.

326 West Pender Street

The Organization has a forgivable loan of $4,500,000 used for renovating 326 West Pender Street. The loan is non-interest bearing; has a 10-year term that matures on April 3, 2034; and a first mortgage on the property at 326 West Pender Street and an assignment of construction contracts and agreements are provided as collateral. In the event the Organization is in default on the terms of the loan,interest is payable on the balance of principal at Prime Rate plus 2.00% per annum. Interest payable under the loan will be calculated and compounded semi-annually from the date of the event of default, until actual payment is made.

The Organization also received a contribution from Canada Mortgage and Housing Corporation for $1,942,636 and a contribution from the Reaching Home Program for $2,250,000 towards the completion of the renovation which had costs of $10,764,443 as of June 30, 2024. The contribution from the Reaching Home Program is subject to the terms and conditions of the related contribution agreement.

In accordance with ASNPO, the Organization recognized the loans and contributions as deferred contributions and is subsequently recognizing them as revenue on a straight-line basis over 40 years, which is the same basis as the amortization expense related to the leasehold improvements at 326 West Pender Street.

12. 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, 2024, contributions made by the Organization amounted to $401,820 [2023 – $405,676].

Notes to financial statements

June 30, 2024

13. Commitments

The Organization has entered into various operating leases and service arrangements expiring at various dates between 2025 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 aggregate minimum payments under these arrangements in each of for the next four years are as follows:

	$
2025	532,699
2026	65,106
2027	23,102
2028	10,322
	631,229

14. 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.

15. 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:

	2024	**2023**
	$	$
Program services		
Crisis Program		
Salaries and benefits	**6,960,863**	6,837,636
Postage, printing and advertising	**1,855**	3,620
Occupancy	**294,961**	296,259
Purchased services	**146,079**	205,141
Programs and care	**331,216**	354,789
Amortization of property and equipment	**732,240**	670,685
	8,467,214	8,368,130

Notes to financial statements

June 30, 2024

	2024	2023
	$	$
Outreach/Community Support Services		
Salaries and benefits	**2,560,865**	2,579,407
Postage, printing and advertising	**1,493**	2,029
Occupancy	**138,508**	153,205
Purchased services	**79,378**	120,546
Programs and care	**295,387**	225,712
Amortization of property and equipment	**329,508**	228,643
	3,405,139	3,309,542
Rights of Passage		
Salaries and benefits	**2,740,740**	2,526,142
Postage, printing and advertising	**1,493**	2,029
Occupancy	**256,415**	246,160
Purchased services	**79,295**	122,958
Programs and care	**318,804**	245,458
Amortization of property and equipment	**329,508**	228,643
	3,726,255	3,371,390
Foundations Program		
Salaries and benefits	**1,532,158**	166,560
Postage, printing and advertising	**1,507**	—
Occupancy	**75,926**	44,728
Purchased services	**158,731**	1,006
Programs and care	**162,474**	650
Amortization of property and equipment	**183,060**	—
	2,113,856	212,944
Sanctuary Program		
Salaries and benefits	**685,757**	—
Postage, printing and advertising	**289**	—
Occupancy	**213,551**	—
Purchased services	**36,751**	—
Programs and care	**127,151**	—
Amortization of property and equipment	**108,126**	—
	1,171,625	—
Public education	**848,060**	728,443
Total programs	**19,732,149**	15,990,449
Finance and administration	**1,996,728**	1,783,588
Philanthropy	**5,085,131**	5,261,439
Total expenses	**26,814,008**	23,035,476

16. British Columbia *Societies Act* disclosures

The directors of the Organization are not remunerated. The aggregate remuneration paid to the Organization's forty-six [2023 – fifty] employees and contractors with individual remuneration in excess of $75,000 per annum is $4,648,247 [2023 – $5,216,653].

17. Related party transactions

During the year ended June 30, 2024, Covenant House International, the ultimate parent organization, charged the Organization $33,635 [2023 – $34,185] for the use of certain software which is recognized in occupancy expenses and provided the Organization $80,256 [2023 – $23,749] to target priority areas within the Organization.