

Financial Statements of

NARAMATA CENTRE SOCIETY

And Independent Practitioners' Review Engagement
Report thereon

Year ended December 31, 2019
(Unaudited)



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INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Members of Naramata Centre Society

We have reviewed the accompanying financial statements of Naramata Centre Society, which comprise the statement of financial position as at December 31, 2019, the statements of operations, changes in net assets, and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.



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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Naramata Centre Society as at December 31, 2019, 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.

Emphasis of Matter

We draw attention to note 8 to the financial statements, which describes a material subsequent event, the COVID-19 pandemic, and its impact on the Society. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

As required by Section 117(1)(b) of the Societies Act (British Columbia), we are required to state whether these financial statements are prepared on a basis consistent with the basis on which the financial statements that related to the preceding period were prepared. Based on our review, nothing has come to our attention that causes us to believe that the significant accounting policies applied in preparing these financial statements have not been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Kelowna, Canada

June 26, 2020

NARAMATA CENTRE SOCIETY

Statement of Financial Position

December 31, 2019, with comparative information for 2018
(Unaudited)

	2019	2018
Assets		
Current assets:		
Cash	\$ 295,858	\$ 273,195
Accounts receivable	31,470	10,823
Investments	7,548	182,170
Prepaid expenses and deposits	47,549	52,785
	<u>382,425</u>	<u>518,973</u>
Restricted cash and investments (note 2)	917,553	443,767
Tangible capital assets (note 3)	2,713,583	2,791,693
	<u>\$ 4,013,561</u>	<u>\$ 3,754,433</u>

Liabilities and Net Assets

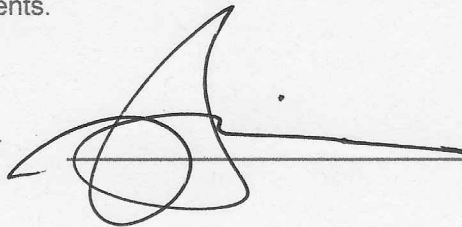
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 59,531	\$ 54,998
Deferred revenue	52,547	58,283
	<u>112,078</u>	<u>113,281</u>
Pacific Mountain Region loan (note 5)	2,750,000	2,750,000
Deferred capital contributions (note 6)	303,073	320,504
	<u>3,165,151</u>	<u>3,183,785</u>
Net assets:		
Invested in tangible capital assets (note 7)	(160,237)	(85,715)
Restricted	738,300	250,671
Unrestricted	270,347	405,692
	<u>848,410</u>	<u>570,648</u>
Subsequent event (note 8)		
	<u>\$ 4,013,561</u>	<u>\$ 3,754,433</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

NARAMATA CENTRE SOCIETY

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

(Unaudited)

	2019	2018
Revenue:		
Programs and retreats	\$ 452,088	\$ 431,888
Grants	46,770	40,784
Foundation contributions	118,045	112,726
Donations	102,337	81,872
Investment and other	40,062	29,899
Amortization of deferred capital contributions	3,587	3,837
	<u>762,889</u>	<u>701,006</u>
Expenses:		
Administration	455,350	381,337
Amortization	83,108	130,686
Bursaries	525	470
Marketing and fund development	4,513	2,645
Programs	139,989	114,374
Site and services	150,505	177,214
	<u>833,990</u>	<u>806,726</u>
	(71,101)	(105,720)
Other income (expense):		
Restricted donations and grants	66,278	128,781
Restricted investment income (loss)	81,814	(2,883)
Gain on disposal of land	344,914	-
Interest on Pacific Mountain Region loan (note 5)	(123,750)	(123,750)
Land development, net	(20,393)	-
	<u>348,863</u>	<u>2,148</u>
Excess (deficiency) of revenue over expenses	\$ 277,762	\$ (103,572)

See accompanying notes to financial statements.

NARAMATA CENTRE SOCIETY

Statement of Changes In Net Assets

Year ended December 31, 2019, with comparative information for 2018

(Unaudited)

	Invested in tangible capital assets	Restricted	Unrestricted	Total 2019	Total 2018
Balance, beginning of year	\$ (85,715)	\$ 250,671	\$ 405,692	\$ 570,648	\$ 674,220
Excess (deficiency) of revenue over expenses	265,392	127,699	(115,329)	277,762	(103,572)
Transfers	(339,914)	359,930	(20,016)	-	-
Balance, end of year	\$ (160,237)	\$ 738,300	\$ 270,347	\$ 848,410	\$ 570,648

See accompanying notes to financial statements.

NARAMATA CENTRE SOCIETY

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018
(Unaudited)

	2019	2018
Cash provided by (used in):		
Operating activities:		
Cash receipts from programs, retreats and other	\$ 426,115	\$ 490,962
Cash received from donations, grants, and foundation contributions	305,792	264,143
Cash paid to suppliers	(741,112)	(685,677)
Investment income	1,012	548
	(8,193)	69,976
Financing activities:		
Deferred capital contributions and investment income	24,890	101
Interest paid on Pacific Mountain Region loan	(123,750)	-
	(98,860)	101
Investing activities:		
Cash received from restricted donations, grants and investment income	148,092	2,148
Cash paid for land development	(59,127)	-
Net (purchase) redemption of investments	174,622	(182,170)
Net decrease (increase) in restricted cash and investments	(473,786)	4,441
Purchase of tangible capital assets	(5,000)	-
Proceeds on disposal of land	344,915	-
	129,716	(175,581)
Increase (decrease) in cash	22,663	(105,504)
Cash, beginning of year	273,195	378,699
Cash, end of year	\$ 295,858	\$ 273,195

See accompanying notes to financial statements.

NARAMATA CENTRE SOCIETY

Notes to Financial Statements

Year ended December 31, 2019
(Unaudited)

The Naramata Centre Society (the "Society" or "Naramata Centre") is a charitable not for profit organization, incorporated under the Societies Act (British Columbia). The Society's purpose is to provide courses and experiences relevant to developing people's leadership skills; to provide nurture and retreat and to be a place where people can come together to debate and discuss issues relevant to the church, communities and society as a whole. The Society is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Society's significant accounting policies are as follows:

(a) Revenue recognition:

The Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue from programs and retreats is recognized when the service has been delivered and completed.

Contributions restricted for the purchase of tangible capital assets are deferred and amortized to revenue on the same basis as the amortization expense related to the acquired tangible capital asset.

(b) Investments:

Investments are recorded at fair value, based on quoted market value. In determining fair values, adjustments have not been made for transaction costs. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of operations.

Unrestricted investments consist of an investment portfolio (December 31, 2019 cost of \$7,512). Restricted investments are disclosed in note 2.

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019
(Unaudited)

1. Significant accounting policies (continued):

(c) Internally restricted net assets:

Certain net assets have been restricted by Naramata Centre Society's Board of Directors as follows:

(i) Heartwood Bursary Fund

The Heartwood Bursary Fund is restricted to provide financial assistance to individuals attending programs offered by the Society. This fund assists in making it financially possible for people to attend the Centre who might not otherwise be able to afford to do so.

(ii) Tennant Stabilization Fund

This fund consists of amounts restricted by the Board of Directors from the net proceeds on the disposal of land. Capital Fund balances are restricted for future capital expenditures.

(iii) Capital Fund

This fund consists of amounts restricted by the Board of Directors from the net proceeds on the disposal of land. Capital Fund balances are restricted for future capital expenditures.

(d) Tangible capital assets:

Purchased tangible capital assets are recorded at cost, less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. When management determines that certain tangible capital assets no longer contribute to the Society's ability to provide services their carrying amount is written down. Amortization is provided on a straight line basis at the following annual rates:

Asset	Rate
Buildings	50 years
Furniture and equipment	10-15 years
Tent and trailer park	50 years
Computer equipment and software	5 years

(e) Contributed services:

Individuals and organizations contribute numerous volunteer hours each year to assist the Naramata Centre Society in carrying out its operations. Due to the difficulty in determining fair value of the contributed services, they are not recognized in the financial statements.

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019
(Unaudited)

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the fair value of investments, the useful lives of tangible capital assets and deferred capital contribution balances. Actual results could differ from those estimates.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition, with the exception of financial instruments related to transactions with related parties. Related party financial instruments are recorded at the transaction amount. Investments are subsequently measured at fair value (note 1(b)). Other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value. Transaction costs incurred on the acquisition of financial instruments are amortized using the straight-line method over the life of the instrument.

2. Restricted cash and investments:

	2019	2018
Unspent capital contributions	\$ 179,253	\$ 193,096
Restricted net assets:		
Heartwood Bursary Fund	79,282	59,533
Tenant Stabilization Fund	314,104	191,138
Capital Fund	344,914	-
	738,300	250,671
	\$ 917,553	\$ 443,767

Restricted cash and investments as at December 31, 2019 are comprised of an investment portfolio, measured at its fair value of \$456,090 (cost of \$403,558), and cash of \$461,463. Restricted cash and investments as at December 31, 2018 are comprised of an investment portfolio, measured at its fair value of \$334,437 (cost of \$332,643), and cash of \$109,330.

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019
(Unaudited)

3. Tangible capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 249,234	\$ -	\$ 249,234	\$ 249,235
Buildings	5,029,879	2,757,889	2,271,990	2,329,729
Furniture and fixtures	472,509	417,652	54,857	71,570
Tent and trailer park	195,522	58,640	137,502	140,792
Computer equipment and software	75,418	75,418	-	367
	<u>\$ 6,022,562</u>	<u>\$ 3,309,599</u>	<u>\$ 2,713,583</u>	<u>\$ 2,791,693</u>

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$16,643 (2018 - \$338).

5. Pacific Mountain Region loan:

	2019	2018
Pacific Mountain Region loan, with interest at 4.5%.	\$ 2,750,000	\$ 2,750,000

The Pacific Mountain Region loan consists of loan funding from the Pacific Mountain Region of The United Church of Canada ("Pacific Mountain Region"). The loan is secured by a restrictive covenant on all legal titles comprising Naramata Centre, providing Pacific Mountain Region with a first mortgage over the Society's assets.

Interest only payments will continue until December 31, 2021, at which point principal and interest payments will commence.

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019

(Unaudited)

6. Deferred capital contributions:

	2019	2018
Balance, beginning of the year	\$ 320,504	\$ 324,240
Capital contributions	1,200	3,915
Investment income (loss) on unspent capital contributions	23,690	(3,814)
Amount amortized to revenue	(3,587)	(3,837)
Expensed to land development, net	(38,734)	-
	\$ 303,073	\$ 320,504

Deferred capital contributions consist of:

	2019	2018
Unspent capital contributions:		
Connor Simpson fund	\$ 140,373	\$ 120,564
Healing House fund	27,360	23,478
Capital - undesignated	11,520	49,054
	179,253	193,096
Contributions used to purchase tangible capital assets, net of amortization	123,820	127,408
	\$ 303,073	\$ 320,504

7. Net assets invested in tangible capital assets:

The Society's net assets invested in tangible capital assets is comprised of the following:

	2019	2018
Unspent capital contributions	\$ 179,253	\$ 193,096
Tangible capital assets	2,713,583	2,791,693
	2,892,836	2,984,789
Financed by:		
Pacific Mountain Region loan	(2,750,000)	(2,750,000)
Deferred capital contributions	(303,073)	(320,504)
	\$ (160,237)	\$ (85,715)

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019
(Unaudited)

8. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and British Columbia governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in British Columbia, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

The current challenging economic climate resulted in a temporary disruption of the Society's operations and may lead to further adverse changes in cash flows, working capital levels and/or debt balances. These will have a direct impact on the Society's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the business is not known at this time.

9. Financial risks and concentration of risk:

(a) Market and credit risk:

The Society operates in the education and retreat market and tourism market and revenue is mainly derived from programs and events. A decline in economic conditions, enrolment and retreat attendance or other adverse conditions could impact the Society's program and event revenue and collection of outstanding amounts receivable related to these activities. The maximum credit risk exposure for the Society's financial assets is the carrying amount of the asset.

(b) Interest rate and cash flow risk:

The Society is exposed to interest rate and cash flow risk in respect of its investments and external debt as disclosed in notes 2 and 5, respectively. The Society manages interest rate risk through negotiations with its lender at initiation and renewal of its loan agreements.

(c) Liquidity risk:

Liquidity risk is the risk the Society will be unable to fulfil its obligations on a timely basis or at a reasonable cost. Liquidity risk as at December 31, 2019 was impacted by the repayment terms for the Pacific Mountain Region loan (note 5).

10. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation adopted in the current year.