

Financial Statements of

NARAMATA CENTRE SOCIETY

And Independent Practitioners' Review Engagement
Report thereon

Year ended December 31, 2020
(Unaudited)



KPMG LLP
200-3200 Richter Street
Kelowna BC V1W 5K9
Canada
Tel 250-979-7150
Fax 250-763-0044

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, 2020, 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.



Page 2

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, 2020, 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.

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' with a long horizontal stroke underneath.

Chartered Professional Accountants

Kelowna, Canada

April 24, 2021

NARAMATA CENTRE SOCIETY

Statement of Financial Position

December 31, 2020, with comparative information for 2019
(Unaudited)


	2020	2019
Assets		
Current assets:		
Cash	\$ 354,411	\$ 295,858
Accounts receivable	59,263	31,470
Investments	-	7,548
Prepaid expenses and deposits	59,967	47,549
	<u>473,641</u>	<u>382,425</u>
Restricted cash and investments (note 2)	790,800	917,553
Tangible capital assets (note 3)	2,637,393	2,713,583
	<u>\$ 3,901,834</u>	<u>\$ 4,013,561</u>


Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 65,365	\$ 59,531
Deferred revenue	93,912	52,547
Current portion of long-term debt	90,921	-
	<u>250,198</u>	<u>112,078</u>
Long-term debt (note 5)	2,689,079	2,750,000
Deferred capital contributions (note 6)	326,415	303,073
	<u>3,265,692</u>	<u>3,165,151</u>
Net assets:		
Invested in tangible capital assets (note 7)	(232,841)	(160,237)
Restricted	584,619	738,300
Unrestricted	284,364	270,347
	<u>636,142</u>	<u>848,410</u>
Subsequent event (note 9)		
	<u>\$ 3,901,834</u>	<u>\$ 4,013,561</u>

See accompanying notes to financial statements.

On behalf of the Board:

DocuSigned by:

 CA8401D79FF449B... Director

DocuSigned by:

 3ABDD00EE1B439... Director

NARAMATA CENTRE SOCIETY

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019
(Unaudited)

	2020	2019
Revenue:		
Programs and retreats	\$ 253,945	\$ 452,088
Grants	60,790	46,770
Foundation contributions	118,236	118,045
Donations	111,393	102,337
Investment and other	45,772	40,062
Government pandemic assistance	139,767	-
Amortization of deferred capital contributions	3,587	3,587
	<u>733,490</u>	<u>762,889</u>
Expenses:		
Administration	346,442	355,021
Amortization	80,202	83,108
Bursaries	-	525
Marketing and fund development	15,281	4,513
Programs	85,605	144,834
Site and services	240,797	245,989
	<u>768,327</u>	<u>833,990</u>
	(34,837)	(71,101)
Other income (expense):		
Restricted donations and grants	900	66,278
Restricted investment income	36,200	81,814
Gain on disposal of land	-	344,914
Interest on Pacific Mountain Region loan (note 5)	(123,750)	(123,750)
Land development, net	(90,781)	(20,393)
	<u>(177,431)</u>	<u>348,863</u>
Excess (deficiency) of revenue over expenses	<u>\$ (212,268)</u>	<u>\$ 277,762</u>

See accompanying notes to financial statements.

NARAMATA CENTRE SOCIETY

Statement of Changes In Net Assets

Year ended December 31, 2020, with comparative information for 2019

(Unaudited)

	Invested in tangible capital assets	Restricted	Unrestricted	Total 2020	Total 2019
Balance, beginning of year	\$ (160,237)	\$ 738,300	\$ 270,347	\$ 848,410	\$ 570,648
Excess (deficiency) of revenue over expenses	(76,616)	(53,681)	(81,971)	(212,268)	277,762
Transfers	4,012	(100,000)	95,988	-	-
Balance, end of year	\$ (232,841)	\$ 584,619	\$ 284,364	\$ 636,142	\$ 848,410

See accompanying notes to financial statements.

NARAMATA CENTRE SOCIETY

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019
(Unaudited)

	2020	2019
Cash provided by (used in):		
Operating activities:		
Cash receipts from programs, retreats and other revenue	\$ 300,176	\$ 489,908
Cash received from donations, grants, foundation contributions and government assistance	442,744	241,999
Cash paid to suppliers and employees	(700,189)	(741,112)
Investment income	555	1,012
	<u>43,286</u>	<u>(8,193)</u>
Financing activities:		
Deferred capital contributions and investment income	26,929	24,890
Interest paid on Pacific Mountain Region loan	(123,750)	(123,750)
Proceeds from long-term debt	30,000	-
	<u>(66,821)</u>	<u>(98,860)</u>
Investing activities:		
Cash received from restricted donations, grants and investment income	37,100	148,092
Cash paid for land development	(85,301)	(59,127)
Net redemption of investments	7,548	174,622
Net decrease (increase) in restricted cash and investments	126,753	(473,786)
Purchase of tangible capital assets	(4,012)	(5,000)
Proceeds on disposal of land	-	344,915
	<u>82,088</u>	<u>129,716</u>
Increase in cash	58,553	22,663
Cash, beginning of year	295,858	273,195
Cash, end of year	<u>\$ 354,411</u>	<u>\$ 295,858</u>

See accompanying notes to financial statements.

NARAMATA CENTRE SOCIETY

Notes to Financial Statements

Year ended December 31, 2020

(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.

In March 2020, 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 challenging economic climate resulted in a temporary disruption in the Society's operations and new operating protocols in accordance with provincial and federal operating guidelines. The Society has applied for and received government funding through COVID-19 related programs. The impact of the current operating climate has had an adverse effect on revenue and operating cash flows and may lead to continued adverse changes in cash flows, working capital levels and/or debt balances, which may also 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.

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2020
(Unaudited)

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.

Government assistance, such as Federal Government wage subsidies, are recorded in revenue in the period the amounts can be reasonably estimated and have been received or receivable. For the year ended December 31, 2020, government pandemic assistance includes Canada Employment Wage Subsidy funding totaling \$129,767 and Canada Emergency Business Account grant of \$10,000.

(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.

(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.

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2020
(Unaudited)

1. Significant accounting policies (continued):

(c) Internally restricted net assets (continued):

(ii) Tennant Stabilization Fund

This fund was amended in March 2010 flowing from an endowment fund created in 1961 by Percival & Anne Tennant. Its purpose is to provide income and access to capital as required to support the general work of Naramata Centre. The fund is entrusted to the Society's Board of Directors for its management and investment policy.

(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, 2020
(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 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 and investment portfolios with a quoted market value are subsequently measured at fair value. 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:

	2020	2019
Unspent capital contributions	\$ 206,181	\$ 179,253
Restricted net assets:		
Heartwood Bursary Fund	80,183	79,282
Tennant Stabilization Fund	249,263	314,104
Capital Fund	255,173	344,914
	584,619	738,300
	\$ 790,800	\$ 917,553

Restricted cash and investments as at December 31, 2020 are comprised of an investment portfolio, measured at its fair value of \$439,114 (cost of \$355,468), and cash of \$357,166. 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.

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2020

(Unaudited)

3. Tangible capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 249,234	\$ -	\$ 249,234	\$ 249,234
Buildings	5,029,879	2,820,727	2,209,152	2,271,990
Furniture and equipment	472,509	431,324	41,185	54,857
Tent and trailer park	195,522	61,311	134,211	137,502
Computer equipment and software	79,431	75,820	3,611	-
	\$ 6,026,575	\$ 3,389,182	\$ 2,637,393	\$ 2,713,583

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2019 - \$16,643).

5. Long-term debt:

	2020	2019
Pacific Mountain Region loan, repayable in monthly installments of \$15,285, including interest at 4.5%, due December 2025	\$ 2,750,000	\$ 2,750,000
Canada Emergency Business Account loan, non-interest bearing, due on demand	30,000	-
	2,780,000	2,750,000
Less current principal portion	90,621	-
	\$ 2,689,379	\$ 2,750,000

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2020

(Unaudited)

5. Long-term debt (continued):

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.

The Society received demand loan financing totaling \$40,000 through the Canada Emergency Business Account funded by the Government of Canada. If the loan is repaid by December 31, 2022, \$10,000 of the loan will be forgiven. If the loan is not repaid by December 31, 2022, interest at a rate of 5% will be applied and the full amount will be repayable by December 31, 2025. As at December 31, 2020, management of the Society has determined that the loan will be repaid by the December 31, 2022 and have recognized the forgivable portion of the loan in government pandemic assistance.

Schedule principal repayments on long-term debt, over existing terms, are as follows:

2021	\$	90,621
2022		63,720
2023		66,647
2024		69,708
2025		2,489,304

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2020

(Unaudited)

6. Deferred capital contributions:

	2020	2019
Balance, beginning of the year	\$ 303,073	\$ 320,504
Capital contributions	4,064	1,200
Investment income on unspent capital contributions	22,865	23,690
Amount amortized to revenue	(3,587)	(3,587)
Expensed to land development, net	-	(38,734)
	\$ 326,415	\$ 303,073

Deferred capital contributions consist of:

	2020	2019
Unspent capital contributions:		
Connor Simpson fund	\$ 159,491	\$ 140,373
Healing House fund	31,105	27,359
Capital - undesignated	15,585	11,521
	206,181	179,253
Contributions used to purchase tangible capital assets, net of amortization	120,234	123,820
	\$ 326,415	\$ 303,073

7. Net assets invested in tangible capital assets:

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

	2020	2019
Unspent capital contributions	\$ 206,181	\$ 179,253
Tangible capital assets	2,637,393	2,713,583
	2,843,574	2,892,836
Financed by:		
Pacific Mountain Region loan	(2,750,000)	(2,750,000)
Deferred capital contributions	(326,415)	(303,073)
	\$ (232,841)	\$ (160,237)

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2020
(Unaudited)

8. Societies Act (British Columbia) Section 36.1 and Regulation 9.2(b) disclosure:

For the year ended December 31, 2020, the Society's directors did not receive remuneration for the performance of their responsibilities as directors and the Society paid total remuneration, including benefits, of \$75,000 or greater to one employee for services.

9. Subsequent event:

Subsequent to December 31, 2020, the Society completed the disposal of a portion of their land, comprising the Society's Naramata Beach Property, for total proceeds of \$1.7 million.

10. Financial risks and concentration of risk:

Outside of the economic impact and uncertainty from the COVID-19 pandemic, there were no significant changes in the following financial risks from 2019.

(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, 2020 was impacted by the repayment terms for the Pacific Mountain Region loan and new long-term debt financing..

11. Comparative information:

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