

Financial Statements of

NARAMATA CENTRE SOCIETY

And Independent Practitioners' Review Engagement
Report thereon

Year ended December 31, 2021



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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, 2021, 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, 2021, 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.

KPMG LLP

Chartered Professional Accountants

Kelowna, Canada

May 25, 2022

NARAMATA CENTRE SOCIETY

Statement of Financial Position

December 31, 2021, with comparative information for 2020

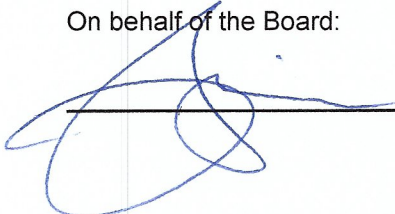
	2021	2020
Assets		
Current assets:		
Cash	\$ 345,879	\$ 354,411
Accounts receivable (note 2)	10,828	61,247
Prepaid expenses and deposits	13,283	59,967
	369,990	475,625
Restricted cash and investments (note 3)	2,367,637	790,800
Tangible capital assets (note 4)	2,703,029	2,637,393
	<u>\$ 5,440,656</u>	<u>\$ 3,903,818</u>

Liabilities and Net Assets


Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 47,531	\$ 67,349
Deferred revenue	62,570	93,912
Current portion of long-term debt	103,720	90,921
	213,821	252,182
Long-term debt (note 6)	2,625,359	2,689,079
Deferred capital contributions (note 7)	461,587	326,415
	3,300,767	3,267,676
Net assets:		
Invested in tangible capital assets (note 8)	(138,059)	(232,841)
Restricted	2,058,059	584,619
Unrestricted	219,889	284,364
	2,139,889	636,142
	<u>\$ 5,440,656</u>	<u>\$ 3,903,818</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

NARAMATA CENTRE SOCIETY

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Programs and retreats	\$ 368,238	\$ 253,945
Grants	58,070	60,790
Foundation contributions	118,583	118,236
Donations	147,481	111,393
Investment and other	53,933	45,772
Government pandemic assistance	98,287	139,767
Amortization of deferred capital contributions	4,806	3,587
	<u>849,398</u>	<u>733,490</u>
Expenses:		
Administration	369,545	346,442
Amortization	84,855	80,202
Marketing and fund development	9,155	15,281
Programs	248,513	85,605
Site and services	282,012	240,797
	<u>994,080</u>	<u>768,327</u>
	(144,682)	(34,837)
Other income (expense):		
Restricted donations and grants	137,685	900
Restricted investment income	40,518	36,200
Interest on Pacific Mountain Region loan (note 6)	(122,504)	(123,750)
Land development	(91,225)	(90,781)
Gain on disposal of land	1,683,955	-
	<u>1,648,429</u>	<u>(177,431)</u>
Excess (deficiency) of revenue over expenses	\$ 1,503,747	\$ (212,268)

See accompanying notes to financial statements.

NARAMATA CENTRE SOCIETY

Statement of Changes in Net Assets

Year ended December 31, 2021, with comparative information for 2020

	Invested in tangible capital assets	Restricted	Unrestricted	Total 2021	Total 2020
Balance, beginning of year	\$ (232,841)	\$ 584,619	\$ 284,364	\$ 636,142	\$ 848,410
Excess (deficiency) of revenue over expenses	1,603,906	86,815	(186,974)	1,503,747	(212,268)
Transfers	(1,509,124)	1,386,625	122,499	-	-
Balance, end of year	\$ (138,059)	\$ 2,058,059	\$ 219,889	\$ 2,139,889	\$ 636,142

See accompanying notes to financial statements.

NARAMATA CENTRE SOCIETY

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Cash receipts from programs, retreats and other revenue	\$ 405,227	\$ 300,176
Cash received from donations, grants, foundation contributions and government assistance	456,051	442,744
Cash paid to suppliers and employees	(882,359)	(700,189)
Investment income	2,391	555
	(18,690)	43,286
Financing activities:		
Deferred capital contributions and investment income	123,396	26,929
Interest paid on Pacific Mountain Region loan	(122,504)	(123,750)
Proceeds from long-term debt	10,000	30,000
Repayment of long-term debt	(60,921)	-
	(50,029)	(66,821)
Investing activities:		
Cash received from restricted donations, grants and investment income	178,203	37,100
Net redemption of investments	-	7,548
Cash paid for land development expenses	(91,225)	(85,301)
Proceeds on disposal of land	1,697,883	-
Net (increase) decrease in restricted cash and investments	(1,576,837)	126,753
Purchase of tangible capital assets	(147,837)	(4,012)
	60,187	82,088
Increase (decrease) in cash	(8,532)	58,553
Cash, beginning of year	354,411	295,858
Cash, end of year	\$ 345,879	\$ 354,411
Supplemental cash flow information:		
Contributed tangible capital asset additions	\$ 16,581	\$ -

See accompanying notes to financial statements.

NARAMATA CENTRE SOCIETY

Notes to Financial Statements

Year ended December 31, 2021

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.

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, 2021, government pandemic assistance includes Canada Employment Wage Subsidy and related funding totaling \$88,287 (2020 - \$129,767) and Canada Emergency Business Account grant of \$10,000 (2020 - \$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.

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

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 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
Vehicles	10 years

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(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.

(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. 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. 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. Accounts receivable:

Included in accounts receivable are government remittances recoverable of \$2,000 (2020 - \$1,984) and government assistance receivable of \$8,788 (2020 - \$15,710).

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Restricted cash and investments:

	2021	2020
Unspent capital contributions	\$ 309,578	\$ 206,181
Restricted net assets:		
Heartwood Bursary Fund	109,124	80,183
Tennant Stabilization Fund	398,361	249,263
Capital Fund	1,550,574	255,173
	2,058,059	584,619
	\$ 2,367,637	\$ 790,800

Restricted cash and investments as at December 31, 2021 are comprised of an investment portfolio, measured at its fair value of \$641,604 (cost of \$512,676), and cash and cash equivalents of \$1,726,033. 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 \$351,686.

4. Tangible capital assets:

	2021		2020	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 235,307	\$ -	\$ 235,307	\$ 249,234
Buildings	5,034,952	2,883,765	2,151,187	2,209,152
Furniture and equipment	601,250	448,612	152,638	41,185
Tent and trailer park	211,069	64,761	146,308	134,211
Computer equipment and software	83,264	76,339	6,925	3,611
Vehicles	56,963	46,299	10,664	-
	\$ 6,222,805	\$ 3,519,776	\$ 2,703,029	\$ 2,637,393

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,177 (2020 - \$844).

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

6. Long-term debt:

	2021	2020
Pacific Mountain Region loan, repayable in monthly installments of \$15,285, including interest at 4.5%, due December 2025	\$ 2,689,079	\$ 2,750,000
Canada Emergency Business Account loan, non-interest bearing, due on demand	40,000	30,000
	2,729,079	2,780,000
Current portion	103,720	90,921
	\$ 2,625,359	\$ 2,689,079

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 \$60,000 through the Canada Emergency Business Account funded by the Government of Canada. If the loan is repaid by December 31, 2023, \$20,000 of the loan will be forgiven. If the loan is not repaid by December 31, 2023, interest at a rate of 5% will be applied and the full amount will be repayable by December 31, 2025. As at December 31, 2021, management of the Society has determined that the loan will be repaid by the December 31, 2023 and have recognized \$10,000 of the forgivable portion of the loan in government pandemic assistance (2020 - \$10,000).

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

2022	\$	103,720
2023		66,647
2024		69,708
2025		2,489,004
	\$	2,729,079

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Deferred capital contributions:

	2021	2020
Balance, beginning of the year	\$ 326,415	\$ 303,073
Capital contributions	115,191	4,064
Investment income on unspent capital contributions	24,787	22,865
Amount amortized to revenue	(4,806)	(3,587)
	<u>\$ 461,587</u>	<u>\$ 326,415</u>

Deferred capital contributions consist of:

	2021	2020
Unspent capital contributions:		
Connor Simpson fund	\$ 180,217	\$ 159,491
Healing House fund	35,166	31,105
Capital - undesignated	94,195	15,585
	<u>309,578</u>	<u>206,181</u>
Contributions used to purchase tangible capital assets, net of amortization	152,009	120,234
	<u>\$ 461,587</u>	<u>\$ 326,415</u>

8. Net assets invested in tangible capital assets:

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

	2021	2020
Unspent capital contributions	\$ 309,578	\$ 206,181
Tangible capital assets	2,703,029	2,637,393
	<u>3,012,607</u>	<u>2,843,574</u>
Financed by:		
Pacific Mountain Region loan	(2,689,079)	(2,750,000)
Deferred capital contributions	(461,587)	(326,415)
	<u>\$ (138,059)</u>	<u>\$ (232,841)</u>

NARAMATA CENTRE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

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

For the year ended December 31, 2021, 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.

10. Financial risks and concentration of risk:

Financial risks and concentration of risks were impacted in the year ended December 31, 2021, by the economic effects and uncertainty arising from the COVID-19 pandemic.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This 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.

The Society's operations were impacted by provincially mandated capacity and operating hour limits. The Society developed operating protocols in accordance with provincial and federal guidelines and applied for and received government funding through COVID-19 related programs (note 1(a)). The current and future economic impacts from the pandemic may continue to have adverse effects on cash flows, working capital level and/or debt balances, which might have a direct impact on the Society's operating results and financial position in the future. The extent to which the COVID-19 pandemic impacts the Society's future operations will depend on numerous evolving factors including, but not limited to, the duration of and recovery from the COVID-19 pandemic and consumer, business and government activities 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.

(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 3 and 6, 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, 2021 was impacted by the new long-term debt financing.