

Sorrento Centre, Anglican Church of
Canada
Client Information Package
For the Year Ended December 31, 2019

Contact Information

Angie Spencer, CPA, CA
BDO Canada LLP
Chartered Professional Accountants
Ph: 250-832-7171 Fax: 250-832-2429
Email: aspencer@bdo.ca

Sorrento Centre, Anglican Church of Canada
Non-Consolidated Financial Statements
For the Year Ended December 31, 2019
(Unaudited)

Contents

Independent Practitioner's Review Engagement Report	1-2
Non-Consolidated Financial Statements	
Non-Consolidated Statement of Financial Position	3
Non-Consolidated Statement of Changes in Net Assets	4
Non-Consolidated Statement of Operations	5
Non-Consolidated Statement of Cash Flows	6
Notes to the Non-Consolidated Financial Statements	7-14

Independent Practitioner's Review Engagement Report

To the Board of Directors of
Sorrento Centre, Anglican Church of Canada

We have reviewed the accompanying non-consolidated financial statements of Sorrento Centre, Anglican Church of Canada, which comprise of the non-consolidated statement of financial position as at December 31, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying non-consolidated 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 non-consolidated 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 non-consolidated financial statements.

Basis for Qualified Conclusion

In common with many not-for-profit organizations, Sorrento Centre, Anglican Church of Canada derives revenue from cash and in-kind donations and fundraising activities, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of Sorrento Centre, Anglican Church of Canada. Therefore, we were not able to determine whether any adjustments might be necessary to donations, deferred revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. Our review conclusion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the non-consolidated financial statements do not present fairly, in all material respects, the financial position



of Sorrento Centre, Anglican Church of Canada as at December 31, 2019, and the results of its 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 the Society 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.

BDO Canada LLP

Chartered Professional Accountants

Salmon Arm, British Columbia
May 5, 2020

Sorrento Centre, Anglican Church of Canada
Non-Consolidated Statement of Financial Position
(Unaudited)

December 31 2019 2018

Assets

Current

Cash and cash equivalents (Note 3)	\$ -	\$ 111,834
Marketable securities	10,435	5,097
Accounts receivable	1,333	399
Inventories	9,292	8,012
Prepaid expenses	3,710	7,450

24,770 132,792

Investment in Sorrento Centre Foundation (Note 2)	137,925	137,925
Capital assets (Note 4)	1,100,809	994,347

\$ 1,263,504 \$ 1,265,064

Liabilities and Net Assets (Deficiency)

Current

Bank indebtedness (Note 3)	\$ 7,076	\$ -
Accounts payable and accrued liabilities (Note 5)	82,654	68,020
Prepaid deposits	41,035	29,613
Current portion of long-term debt (Note 6)	9,574	259,785

140,339 357,418

Long-term debt (Note 6)	242,772	-
Forgivable debt (Note 7)	168,750	168,750
Deferred contributions (Note 8)	498,591	510,606

910,113 679,356

Net Assets (Deficiency)

Net assets invested in capital assets	558,094	449,355
Net deficiency	(448,467)	(324,490)
Externally restricted endowment funds	103,425	103,425

213,052 228,290

\$ 1,263,504 \$ 1,265,064

Approved on behalf of the Board:

Treasurer

Sorrento Centre, Anglican Church of Canada
Non-Consolidated Statement of Changes in Net Assets
(Unaudited)

For the year ended December 31	2019	2018			
Net Assets	Invested in Capital Assets	Externally Restricted Endowment Funds	Net Deficiency	Total	Total
Balance, beginning of year	\$ 449,355	\$ 103,425	\$ (324,490)	\$ 228,290	\$ 181,899
Excess (deficiency) of revenues over expenses	(36,522)	-	21,284	(15,238)	46,391
Investment in capital assets	167,205	-	(167,205)	-	-
Deferred contributions received	(27,648)	-	27,648	-	-
Long-term debt repayments	5,704	-	(5,704)	-	-
Balance, end of year	\$ 558,094	\$ 103,425	\$ (448,467)	\$ 213,052	\$ 228,290

Sorrento Centre, Anglican Church of Canada
Non-Consolidated Statement of Operations
(Unaudited)

For the year ended December 31	2019	2018
Revenue		
Accommodations, conference and rentals	\$ 517,576	\$ 540,561
Amortization of deferred contributions for capital assets (Note 8)	24,222	23,020
Appeal campaign and donations	340,101	206,084
Book shop donations	6,922	110
Capital campaign	22,000	-
Foundation and other grants	20,654	20,379
Interest revenue	1,470	1,689
Meals	336,180	344,166
Miscellaneous	16,659	14,501
Tuition and programs	189,642	183,633
	<u>1,475,426</u>	<u>1,334,143</u>
Expenses		
Advertising	19,001	2,454
Amortization of capital assets	60,744	46,411
Bad debts	430	-
Board of Directors' expenses	16,363	5,925
Book shop materials	4,502	-
Employee benefits	64,332	59,167
Farm	10,964	7,306
Food costs	143,103	139,931
Fundraising	2,574	10,139
Housekeeping	13,372	12,999
Insurance	24,861	15,438
Interest and bank charges	25,208	24,179
Interest on long-term debt	11,281	9,594
Miscellaneous	2,443	871
Moving and recruitment	495	5,065
Office	18,669	18,795
Pension	25,948	20,204
Postage	3,430	1,939
Professional fees	26,581	22,607
Program costs including honorariums	174,494	164,791
Repairs and maintenance	106,963	56,959
Salaries	652,775	582,087
Telephone	13,994	12,691
Travel	3,170	2,625
Utilities	65,339	65,575
	<u>1,491,036</u>	<u>1,287,752</u>
Excess of revenues over expenses from operations	(15,610)	46,391
Gain on disposal of donated marketable securities	337	-
Gain on foreign exchange	35	-
	<u>372</u>	<u>-</u>
Excess of revenues over expenses	\$ (15,238)	\$ 46,391

The accompanying notes are an integral part of these non-consolidated financial statements.

Sorrento Centre, Anglican Church of Canada
Non-Consolidated Statement of Cash Flows
(Unaudited)

For the year ended December 31	2019	2018
Cash flows from operating activities		
Cash received from church affiliates and associates	\$ 347,647	\$ 200,189
Cash received from foundations and government	20,654	20,379
Cash received from services	1,072,614	1,091,159
Cash paid for operations	(1,376,713)	(1,192,566)
Interest paid	(36,489)	(33,774)
Net cash from operating activities	<u>27,713</u>	<u>85,387</u>
Cash flows from investing activities		
Proceeds from disposal of assets	373	-
Contributions of cash for capital projects	27,648	5,470
Purchase of capital assets	(167,205)	(99,525)
Net cash used in investing activities	<u>(139,184)</u>	<u>(94,055)</u>
Cash flows from financing activities		
Long-term debt proceeds	-	59,174
Long-term debt repayments	(7,439)	(8,758)
Net cash (used) from financing activities	<u>(7,439)</u>	<u>50,416</u>
Net (decrease) increase in cash and cash equivalents	(118,910)	41,748
Cash and cash equivalents, beginning of year	<u>111,834</u>	<u>70,086</u>
Cash and cash equivalents (bank indebtedness), end of year	<u>\$ (7,076)</u>	<u>\$ 111,834</u>

Sorrento Centre, Anglican Church of Canada
Notes to the Non-Consolidated Financial Statements
(Unaudited)

December 31, 2019

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Business	Sorrento Centre, Anglican Church of Canada (the "Centre"), is a not-for-profit ecumenical conference, retreat and holiday centre in Sorrento, British Columbia, incorporated under the Society Act of British Columbia. Revenue is derived principally from hospitality services, facility rentals and course tuition. Although affiliated with the Anglican Church of Canada, additional financial support is received primarily from individuals who are Associates of the Centre. The Centre is a registered charity under the Income Tax Act.
Basis of Accounting	The non-consolidated financial statements have been prepared by management using Canadian accounting standards for not-for-profit organizations.
Revenue Recognition	<p>The Centre 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, when received or receivable, if the amount to be received can be reasonably estimated and collection is assured. Endowment contributions are recognized as direct increases in net assets. Restricted investment income is recognized as income in the year in which the related expenses are incurred.</p> <p>Service revenues are recognized as the services are rendered, the price is fixed or determinable and collectibility is reasonably assured.</p>
Cash and Cash Equivalents	Cash and cash equivalents consist of petty cash, cash floats, amounts deposited with financial institutions and investment cash accounts.
Marketable Securities	Marketable securities are recognized initially at fair value and transaction costs are taken directly to the non-consolidated statement of operations. They are subsequently measured at fair value and gains and losses, arising from changes in fair value, are recorded in the non-consolidated statement of operations.

Continued...

Sorrento Centre, Anglican Church of Canada
Notes to the Non-Consolidated Financial Statements
(Unaudited)

December 31, 2019

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Inventories Inventories are recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Inventory expensed during the year: \$147,605 (2018 - \$139,931).

Capital Assets Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer has any long-term service potential to the Centre, it is written down to its residual value, if any. Amortization based on the estimated useful life of the assets is provided for on the diminishing balance basis at the following rates:

Buildings	-	5%
Computer hardware and software	-	50 - 100%
Furniture, fixtures and equipment		10%
Sidewalks and beach	-	3%
Solar panels		50%
Vehicles	-	30%

Assets are amortized at one half the above rates in the year of acquisition.

Deferred Contributions Deferred contributions related to capital assets are amortized to revenue on the same basis as the related assets. Deferred contributions for operating services are amortized to revenue when the revenue recognition criteria are met.

Financial Instruments Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations, other than financial instruments related to endowment funds. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations, other than financial instruments related to endowment funds. Changes in fair value of financial instruments related to the endowment fund are recorded directly in net assets. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Continued...

Sorrento Centre, Anglican Church of Canada
Notes to the Non-Consolidated Financial Statements
(Unaudited)

December 31, 2019

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Use of Estimates	The preparation of financial statements, in accordance with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.
Volunteer Services	The Centre's programs benefit from services in the form of volunteer time. The value of these services is not recorded in these non-consolidated financial statements.

Sorrento Centre, Anglican Church of Canada
Notes to the Non-Consolidated Financial Statements
(Unaudited)

December 31, 2019

2. Investment in Sorrento Centre Foundation

Sorrento Centre has invested \$ 137,925 (2018 - \$ 137,925) in the Sorrento Foundation for the purposes of earning investment income. The Foundation was established for the benefit of the Centre and other organizations in the community with similar investment objectives. These monies, plus any accrued investment earnings, can be withdrawn at any time by the Centre. The investment has been recorded at cost.

3. Bank indebtedness

The Centre has available a \$ 400,000 (2018 - \$ 400,000) line of credit bearing interest at prime plus 1.40% (2018 - prime plus 1.40%) and is secured by a second mortgage over land and buildings with a net book value of \$ 851,063. The bank's prime rate was 3.95% on December 31, 2019 (2018 - 3.95%). As at year end, there was \$7,076 withdrawn from the line of credit (2018 - nil).

4. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 246,830	\$ -	\$ 246,830	\$ -
Buildings	1,621,931	1,017,698	1,566,853	987,346
Computer hardware and software	97,757	83,691	80,787	78,109
Furniture, fixtures and equipment	560,403	438,622	536,900	426,396
Sidewalks and beach	76,736	31,137	76,736	29,727
Solar panels	19,698	4,925	-	-
Under Construction	25,938	-	-	-
Vehicles	111,934	84,345	85,915	78,096
	<u>\$ 2,761,227</u>	<u>\$ 1,660,418</u>	<u>\$ 2,594,021</u>	<u>\$ 1,599,674</u>
Net book value		<u>\$ 1,100,809</u>		<u>\$ 994,347</u>

Included in capital assets under construction are buildings (\$10,046), solar panels (\$10,727), and greenhouse (\$5,165) which are not amortized as they are not currently in use as at year end.

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$10,351 (2018 - \$8,117) in government remittances payable.

Sorrento Centre, Anglican Church of Canada
Notes to the Non-Consolidated Financial Statements
(Unaudited)

December 31, 2019

6. Long-term debt

	2019	2018
Salmon Arm Savings and Credit Union, mortgage repayable \$ 1,560 monthly including interest at 4.40%, secured by land and buildings with a net book value of \$ 851,063, renewed February 2020	\$ 252,346	\$ 259,785
	252,346	259,785
Current portion	9,574	259,785
Long-term portion of debt	\$ 242,772	\$ -

The loan with Salmon Arm Savings and Credit Union was renewed in February 2020 with monthly instalments of \$1,870 including interest at 4.47%, maturing March 1, 2023. The Centre also received additional loan proceeds of \$61,184 in February 2022.

Principal payments, are due as follows:

Year	Amount
2020	\$ 9,574
2021	9,037
2022	9,449
2023	285,470
	\$ 313,530

Effective March 1, 2020, the Centre opted to defer principal and interest payments as offered by the credit union for a 6 month period due to COVID-19.

7. Forgivable Loan

	2019	2018
Diocese of New Westminister, long-term loan repayable, interest free, secured by land and buildings with a net book value of \$ 851,063	\$ 168,750	\$ 168,750
Long-term portion of loan	\$ 168,750	168,750

The loan payable to the Diocese of New Westminister has an agreement in place whereby the loan will be forgiven over time and is dependent on the Centre receiving equal funding from the Anglican Church of Canada in the total amount above. No funding from the Anglican Church of Canada is currently committed in the next year.

Sorrento Centre, Anglican Church of Canada
Notes to the Non-Consolidated Financial Statements
(Unaudited)

December 31, 2019

8. Deferred Contributions

Deferred contributions for capital assets represent contributed capital assets and restricted contributions which were applied to capital expenditures during the year. Bursary funds are for various bursaries in place used to subsidize future accommodation as board approves. Other deferred contributions relate to funds received and specified for non-capital uses not yet spent.

	Opening Balance	Contributions Received	Revenue Recognized	Ending Balance
Deferred contributions for capital assets	\$ 354,483	\$ 14,942	\$ (24,222)	\$ 345,203
Bursary funds	1,677	10,203	(10,983)	897
Winter Youth Development	152,491	-	-	152,491
Other deferred contributions	1,955	-	(1,955)	-
	<u>\$ 510,606</u>	<u>\$ 25,145</u>	<u>\$ (37,160)</u>	<u>\$ 498,591</u>

9. Commitments

The Centre has leased office equipment with an annual lease cost of \$ 3,188 (2018 - \$ 3,188). The lease contract expires in 2020. Total obligations over the 1 year are as follows:

<u>Year</u>	<u>Amount</u>
2020	<u>\$ 797</u>

Sorrento Centre, Anglican Church of Canada
Notes to the Non-Consolidated Financial Statements
(Unaudited)

December 31, 2019

10. Financial Instrument Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Centre is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of bank indebtedness and long-term debt.

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 Centre is exposed to credit risk arising from its accounts and contributions receivable.

Liquidity Risk

Liquidity risk is the risk that the Centre encounters difficulty in meeting its obligations associated with its financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities, bank indebtedness, and long-term debt.

Market Risk

Market risk is the risk that the Centre is exposed to fluctuations in equity markets on its investments which are invested in securities. Market risk arises from marketable securities.

There have been no changes to the risk exposure of the Centre from the prior year.

11. Contingent Liability

There are seven buildings owned by the Centre where contained asbestos is present. The asbestos does not pose a risk unless the containment is altered with or unless renovations or demolition is taking place. The Centre does have a potential obligation in the future to remove the asbestos if and when substantial renovations or demolition of these buildings take place. As there are no immediate plans to retire or renovate these capital assets, a reasonable estimate of the costs to remediate are not accrued for in the financial statements.

Sorrento Centre, Anglican Church of Canada
Notes to the Non-Consolidated Financial Statements
(Unaudited)

December 31, 2019

12. Subsequent Events

The global pandemic, COVID-19, has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. In addition, if the impacts of the COVID-19 continue, there could be further impact on the Centre's future events and activities which could impact the timing and amounts realized on the Centre's assets and future income and expenses. At this time, the full potential impact of the COVID-19 on the Centre is unknown. In an effort to minimize negative cash flow impact, effective March 1, 2020, the Centre accepted the SASCU loan deferral offering which allows the Centre to defer any payments on the existing loan for up to six months. The Centre has also applied for the wage subsidy for employees effective March 18, 2020. The Centre's ability to continue to service debt and meet lease and other obligations as they come due is dependent on the continued ability to generate earnings and cash flows, including the use of existing credit facilities.
