

**SORRENTO CENTRE  
ANGLICAN CHURCH OF CANADA  
Non-Consolidated Financial Statements  
For the Year Ended December 31, 2017  
(Unaudited)**

**Contents**

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<b>Independent Practitioner's Review Engagement Report</b>	<b>1-2</b>
<b>Non-Consolidated Financial Statements</b>	
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



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## Independent Practitioner's Review Engagement Report

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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, 2017, 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, in-kind donations, deferred revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016, and net assets as at January 1 and December 31 for both the 2017 and 2016 years. Our review conclusion on the financial statements for the year ended December 31, 2016 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-



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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, 2017, 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 1, 2018

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

**December 31** **2017** **2016**

**Assets**

**Current**

Cash and cash equivalents (Note 3)	\$ 70,086	\$ 17,625
Marketable securities	100	100
Accounts receivable	690	3,906
Inventories	7,192	4,341
Prepaid expenses	15,010	9,129

93,078 35,101

Due from Sorrento Centre Foundation (Note 2)	137,925	137,983
Capital assets (Note 4)	941,233	964,982

\$ 1,172,236 \$ 1,138,066

**Liabilities and Net Assets (Deficiency)**

**Current**

Accounts payable and accrued liabilities (Note 5)	63,002	55,499
Prepaid deposits	19,761	20,533
Current portion of long-term debt (Note 6)	10,100	10,100

92,863 86,132

Long-term debt (Note 6)	199,268	194,675
Forgivable debt (Note 7)	168,750	168,750
Deferred contributions (Note 8)	529,458	550,559

897,476 913,984

**Net assets (deficiency)**

Net assets invested in capital assets	431,090	418,521
Net deficiency	(352,618)	(383,996)
Externally restricted endowment funds	103,425	103,425

181,897 137,950

\$ 1,172,236 \$ 1,138,066

Approved on behalf of the Board:

*Bianca Carson*

\_\_\_\_\_  
Treasurer

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

<u>For the year ended December 31</u>	<u>2017</u>	<u>2016</u>			
<b>Net Assets</b>	<b>Invested in Capital Assets</b>	<b>Externally Restricted Endowment Funds</b>	<b>Net Deficiency</b>	<b>Total</b>	<b>Total</b>
<b>Balance, beginning of year</b>	\$ 418,521	\$ 103,425	\$ (383,996)	\$ 137,950	\$ 57,040
Excess (deficiency) of revenues over expenses	(20,974)	-	64,921	43,947	80,910
Investment in capital assets	26,806	-	(26,806)	-	-
Long-term debt repayments	6,737	-	(6,737)	-	-
<b>Balance, end of year</b>	<b>\$ 431,090</b>	<b>\$ 103,425</b>	<b>\$ (352,618)</b>	<b>\$ 181,897</b>	<b>\$ 137,950</b>

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

For the year ended December 31	2017	2016
<b>Revenue</b>		
Accommodations, conference and rentals	\$ 527,210	\$ 542,195
Amortization of deferred contributions for capital assets (Note 8)	29,580	42,652
Appeal campaign and donations	180,154	167,010
Capital campaign	-	110,594
Diocesan and ecclesiastical grants	2,500	35,458
Foundation and other grants	17,479	16,926
Interest revenue	230	914
Meals	351,281	345,895
Miscellaneous	21,601	26,876
Parish and group donations	-	6,136
Tuition and programs	204,572	184,512
	<u>1,334,607</u>	<u>1,479,168</u>
<b>Expenses</b>		
Administration - projects	-	67,621
Advertising	11,683	6,824
Amortization of capital assets	50,554	61,227
Board of Directors' expenses	9,843	14,510
Employee benefits	60,401	64,659
Farm expenses	7,612	8,221
Food costs	157,840	166,652
Fundraising expenses	2,292	1,391
Housekeeping	14,696	11,403
Insurance	14,478	14,824
Interest and bank charges	24,482	23,624
Interest on long-term debt	8,296	8,491
Miscellaneous	1,755	2,455
Moving and recruitment	558	694
Office	16,714	20,406
Pension	20,828	22,958
Postage	4,070	2,933
Professional fees	24,654	17,768
Program costs including honorariums	164,677	159,288
Repairs and maintenance	75,255	64,786
Salaries	535,233	572,671
Telephone	14,624	11,704
Travel	1,395	3,432
Utilities	68,771	69,935
	<u>1,290,711</u>	<u>1,398,477</u>
Excess of revenues over expenses from operations	43,896	80,691
Gain on disposal of donated marketable securities	15	20
Gain on disposal of other asset	-	150
Gain on foreign exchange	36	49
	<u>43,947</u>	<u>80,910</u>
<b>Excess of revenues over expenses</b>	<b>\$ 43,947</b>	<b>\$ 80,910</b>

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)**

<b>For the year ended December 31</b>	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Cash received from Church affiliates and associates	\$ 194,349	\$ 314,142
Cash received from foundations and government	17,479	16,926
Cash received from services	1,104,122	1,107,291
Cash paid for operations	(1,208,571)	(1,303,623)
Interest paid	(32,778)	(32,115)
<b>Net cash from operating activities</b>	<b>74,601</b>	<b>102,621</b>
<b>Cash flows from investing activities</b>		
Sale of donated marketable securities	15	2,067
Contributions of cash for capital projects	-	7,313
Purchase of capital assets	(26,806)	(7,688)
Increase (decrease) in due from related party	58	(8)
<b>Net cash (used) from investing activities</b>	<b>(26,733)</b>	<b>1,684</b>
<b>Cash flows from financing activities</b>		
Decrease in bank overdraft	(1,449)	(129,119)
Long-term debt proceeds	14,144	47,520
Long-term debt repayments	(9,551)	(12,265)
<b>Net cash (used) from financing activities</b>	<b>3,144</b>	<b>(93,864)</b>
<b>Net increase in cash and cash equivalents</b>	<b>51,012</b>	<b>10,441</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>19,074</b>	<b>8,633</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 70,086</b>	<b>\$ 19,074</b>

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

**December 31, 2017**

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**1. Nature of Operations and Summary of Significant Accounting Policies**

<b>Nature of Business</b>	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.
<b>Basis of Accounting</b>	The non-consolidated financial statements have been prepared by management using Canadian accounting standards for not-for-profit organizations.
<b>Revenue Recognition</b>	<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>
<b>Cash and Cash Equivalents</b>	Cash and cash equivalents consist of petty cash, cash floats, amounts deposited with financial institutions and investment cash accounts.
<b>Marketable Securities</b>	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.

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

**December 31, 2017**

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**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.

**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%
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.

**In-kind Contributions** Contributed assets and materials and services, which are used in the normal course of the Centre's operations and would otherwise have been purchased, are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

**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.

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

**December 31, 2017**

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

<b>Use of Estimates</b>	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.
<b>Volunteer Services</b>	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.

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**2. Sorrento Centre Foundation**

Sorrento Centre Foundation has been established to invest funds for the benefit of the Centre. The Foundation is incorporated under the Society Act, and is a registered charity under the Income Tax Act. The Foundation's purpose is to benefit and provide direction to the Centre and it is therefore controlled by Sorrento Centre. The Foundation has not been consolidated in the Centre's financial statements; a summary of its financial position, operations and cash flows is as follows:

	<u>2017</u>	<u>2016</u>
<b>Financial position</b>		
Cash	\$ 86,715	\$ 87,398
Investments, recorded at cost	<u>118,365</u>	<u>116,957</u>
<b>Total assets</b>	<b>205,080</b>	<b>204,355</b>
<b>Current liabilities</b>	<b>583</b>	<b>-</b>
Due to Sorrento Centre	<u>137,925</u>	<u>137,983</u>
<b>Total liabilities</b>	<u><b>138,508</b></u>	<u><b>137,983</b></u>
<b>Total net assets</b>	<u><b>\$ 66,572</b></u>	<u><b>\$ 66,372</b></u>

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

**December 31, 2017**

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**2. Sorrento Centre Foundation (continued)**

	2017	2016
<b>Operations</b>		
Investment income	\$ 425	\$ 2,055
Donation to Sorrento Centre	396	7,676
Administrative expense	(729)	-
	\$ 92	\$ 9,731
<b>Changes in cash flows</b>		
Cash flows from investing activities:		
Investment income earned	\$ 425	\$ 2,242
Purchase of marketable securities	(1,108)	(14,648)
	(683)	(12,406)
Cash flows from financing activities:		
Increase in due to Sorrento Centre	-	(2,650)
Donation to Sorrento Centre	-	10,333
	-	7,683
Net increase (decrease) in cash	(683)	(4,723)
Opening cash balance	87,398	92,121
Closing cash balance	\$ 86,715	\$ 87,398

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

**December 31, 2017**

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**3. Cash**

	2017	2016
Cash and cash equivalents	\$ 70,086	\$ 19,074
Bank overdraft	-	(1,449)
<b>Total cash</b>	<b>\$ 70,086</b>	<b>\$ 17,625</b>

The bank overdraft bears interest at prime plus 1.50% and is secured by a second mortgage over land and buildings. The maximum amount is \$ 400,000 (2016 - \$ 400,000). The bank's prime rate was 3.20% on December 31, 2017.

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**4. Capital Assets**

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 246,830	\$ -	\$ 246,830	\$ -
Buildings	1,509,819	958,347	1,496,012	929,685
Computer hardware and software	79,673	75,988	77,974	69,309
Furniture, fixtures and equipment	508,145	415,715	498,846	405,962
Sidewalks and beach	64,114	28,468	64,114	27,366
Vehicles	85,915	74,745	83,915	70,387
	<b>\$ 2,494,496</b>	<b>\$ 1,553,263</b>	<b>\$ 2,467,691</b>	<b>\$ 1,502,709</b>
<b>Net book value</b>		<b>\$ 941,233</b>		<b>\$ 964,982</b>

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**5. Accounts Payable and Accrued Liabilities**

Included in accounts payable and accrued liabilities is \$ 5,871 (2016 - \$ 7,466) in government remittances payable.

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

**December 31, 2017**

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**6. Long-term debt**

	2017	2016
Salmon Arm Savings and Credit Union, mortgage repayable \$ 1,560 monthly including interest at 4.50%, secured by land and buildings, due October 2019	\$ 209,368	\$ 204,775
	209,368	204,775
Current portion	10,100	10,100
Long-term portion of debt	\$ 199,268	\$ 194,675

Principal payments, are due as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 10,100
2019	199,268
	\$ 209,368

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**7. Forgivable Loan**

	2017	2016
Diocese of New Westminster, long-term loan repayable, interest free, secured by land and buildings	\$ 168,750	\$ 168,750
Long-term portion of loan	\$ 168,750	168,750

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

**December 31, 2017**

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**7. Forgivable Loan (continued)**

The loan payable to the Diocese of New Westminster 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.

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**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	388,907	-	(29,580)	359,327
Bursary funds	(362)	22,689	(15,240)	7,087
Winter Youth Development	152,491	-	-	152,491
Other deferred contributions	9,523	13,526	(12,496)	10,553
	<u>\$ 550,559</u>	<u>\$ 36,215</u>	<u>\$ (57,316)</u>	<u>\$ 529,458</u>

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**9. Commitments**

The Centre has leased office equipment with an annual lease cost of \$ 6,865 (2016 - \$ 6,928). The lease contracts expire in 2018 and 2020.

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**Sorrento Centre, Anglican Church of Canada**  
**Notes to Financial Statements**

**December 31, 2017**

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**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.

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**11. Contingent Liability**

There are two buildings owned by the Centre where asbestos has been discovered and mitigated in accordance with environmental regulations. The contaminated areas have either been sealed off or are currently not in use. 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.

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