

**Sorrento Centre, Anglican Church of Canada**  
**Non-Consolidated Financial Statements**  
For the Year Ended December 31, 2018  
(Unaudited)

---

	<b>Contents</b>
Independent Practitioner's Review Engagement Report	1-2
<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



Tel: 250-832-7171  
Fax: 250-832-2429  
www.bdo.ca

BDO Canada LLP  
571 6th Street NE  
Suite 201  
Salmon Arm BC V1E 1R6 Canada

---

## 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, 2018, 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, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years. Our review conclusion on the financial statements for the year ended December 31, 2017 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, 2018, 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  
March 7, 2019

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

**December 31** **2018** **2017**

**Assets**

**Current**

Cash and cash equivalents (Note 3)	\$ 111,834	\$ 70,086
Marketable securities	5,097	100
Accounts receivable	399	690
Inventories	8,012	7,192
Prepaid expenses	7,450	15,010
	132,792	93,078

Investment in Sorrento Centre Foundation (Note 2)	137,925	137,925
Capital assets (Note 4)	994,347	941,233
	\$ 1,265,064	\$ 1,172,236

**Liabilities and Net Assets (Deficiency)**

**Current**

Accounts payable and accrued liabilities (Note 5)	68,020	63,004
Prepaid deposits	29,613	19,761
Current portion of long-term debt (Note 6)	259,785	10,100
	357,418	92,865

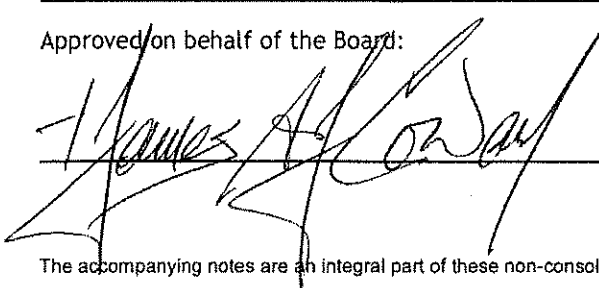
Long-term debt (Note 6)	-	199,268
Forgivable debt (Note 7)	168,750	168,750
Deferred contributions (Note 8)	510,606	529,454
	679,356	897,472

**Net Assets (Deficiency)**

Net assets invested in capital assets	449,355	431,090
Net deficiency	(324,490)	(352,616)
Externally restricted endowment funds	103,425	103,425
	228,290	181,899

**\$ 1,265,064** **\$ 1,172,236**

Approved on behalf of the Board:

  
**PRESIDENT**  
**OF THE SORRENTO CENTRE**  
**ASSOCIATION**  
Treasurer

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

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

<u>For the year ended December 31</u>	<u>2018</u>	<u>2017</u>			
Net Assets	Invested in Capital Assets	Externally Restricted Endowment Funds	Net Deficiency	Total	Total
Balance, beginning of year	\$ 431,090	\$ 103,425	\$ (352,616)	\$ 181,899	\$ 137,952
Excess (deficiency) of revenues over expenses	(23,391)	-	69,782	46,391	43,947
Investment in capital assets	99,526	-	(99,526)	-	-
Deferred contributions received	(5,470)	-	5,470	-	-
Long-term debt repayments	6,774	-	(6,774)	-	-
Increase in long-term debt	(59,174)	-	59,174	-	-
<b>Balance, end of year</b>	<b>\$ 449,355</b>	<b>\$ 103,425</b>	<b>\$ (324,490)</b>	<b>\$ 228,290</b>	<b>\$ 181,899</b>

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

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

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Accommodations, conference and rentals	\$ 540,561	\$ 527,210
Amortization of deferred contributions for capital assets (Note 8)	23,020	29,580
Appeal campaign and donations	206,084	180,154
Book shop donations	110	-
Diocesan and ecclesiastical grants	-	2,500
Foundation and other grants	20,379	17,479
Interest revenue	1,689	230
Meals	344,166	351,281
Miscellaneous	14,501	21,601
Tuition and programs	183,633	204,572
	<u>1,334,143</u>	<u>1,334,607</u>
<b>Expenses</b>		
Advertising	2,454	11,683
Amortization of capital assets	46,411	50,554
Board of Directors' expenses	5,925	9,843
Employee benefits	59,167	60,401
Farm	7,306	7,612
Food costs	139,931	157,840
Fundraising	10,139	2,292
Housekeeping	12,999	14,696
Insurance	15,438	14,478
Interest and bank charges	24,179	24,482
Interest on long-term debt	9,594	8,296
Miscellaneous	871	1,755
Moving and recruitment	5,065	558
Office	18,795	16,714
Pension	20,204	20,828
Postage	1,939	4,070
Professional fees	22,607	24,654
Program costs including honorariums	164,791	164,677
Repairs and maintenance	56,959	75,255
Salaries	582,087	535,233
Telephone	12,691	14,624
Travel	2,625	1,395
Utilities	65,575	68,771
	<u>1,287,752</u>	<u>1,290,711</u>
Excess of revenues over expenses from operations	46,391	43,896
Gain on disposal of donated marketable securities	-	15
Gain on foreign exchange	-	36
	<u>46,391</u>	<u>43,947</u>
<b>Excess of revenues over expenses</b>	<b>\$ 46,391</b>	<b>\$ 43,947</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)**

For the year ended December 31	2018	2017
<b>Cash flows from operating activities</b>		
Cash received from church affiliates and associates	\$ 200,189	\$ 194,349
Cash received from foundations and government	20,379	17,479
Cash received from services	1,091,159	1,104,122
Cash paid for operations	(1,192,566)	(1,208,571)
Interest paid	(33,774)	(32,778)
Net cash from operating activities	<u>85,387</u>	<u>74,601</u>
<b>Cash flows from investing activities</b>		
Sale of donated marketable securities	-	15
Contributions of cash for capital projects	5,470	-
Purchase of capital assets	(99,525)	(26,806)
Increase in due from related party	-	58
Net cash (used) from investing activities	<u>(94,055)</u>	<u>(26,733)</u>
<b>Cash flows from financing activities</b>		
Decrease in bank overdraft	-	(1,449)
Long-term debt proceeds	59,174	14,144
Long-term debt repayments	(8,758)	(9,551)
Net cash from financing activities	<u>50,416</u>	<u>3,144</u>
Net increase in cash and cash equivalents	41,748	51,012
Cash and cash equivalents, beginning of year	<u>70,086</u>	<u>19,074</u>
Cash and cash equivalents, end of year	<u>\$ 111,834</u>	<u>\$ 70,086</u>

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

---

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

**December 31, 2018**

---

**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.

Continued...



---

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

**December 31, 2018**

---

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

<b>Inventories</b>	Inventories are recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.															
<b>Capital Assets</b>	<p>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:</p> <table><tr><td>Buildings</td><td>-</td><td>5%</td></tr><tr><td>Computer hardware and software</td><td>-</td><td>50 - 100%</td></tr><tr><td>Furniture, fixtures and equipment</td><td>-</td><td>10%</td></tr><tr><td>Sidewalks and beach</td><td>-</td><td>3%</td></tr><tr><td>Vehicles</td><td>-</td><td>30%</td></tr></table> <p>Assets are amortized at one half the above rates in the year of acquisition.</p>	Buildings	-	5%	Computer hardware and software	-	50 - 100%	Furniture, fixtures and equipment	-	10%	Sidewalks and beach	-	3%	Vehicles	-	30%
Buildings	-	5%														
Computer hardware and software	-	50 - 100%														
Furniture, fixtures and equipment	-	10%														
Sidewalks and beach	-	3%														
Vehicles	-	30%														
<b>Deferred Contributions</b>	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.															
<b>Financial Instruments</b>	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, 2018**

---

**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.

---

---

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

**December 31, 2018**

---

**2. Investment in Sorrento Centre Foundation**

Sorrento Centre has invested \$ 137,925 (2017 - \$ 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. Cash and cash equivalent**

The Centre has available a \$ 400,000 (2017 - \$ 400,000) line of credit bearing interest at prime plus 1.40% (2017 - prime plus 1.50%) and is secured by a second mortgage over land and buildings with a net book value of \$ 826,337. The bank's prime rate was 3.95% on December 31, 2018 (2017 - 3.20%). There was no amount withdrawn from the line of credit as at December 31, 2018 (2017 - nil).

---

**4. Capital Assets**

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 246,830	\$ -	\$ 246,830	\$ -
Buildings	1,566,853	987,346	1,509,819	958,347
Computer hardware and software	80,787	78,109	79,673	75,988
Furniture, fixtures and equipment	536,900	426,396	508,145	415,715
Sidewalks and beach	76,736	29,727	64,114	28,468
Vehicles	85,915	78,096	85,915	74,745
	<b>\$ 2,594,021</b>	<b>\$ 1,599,674</b>	<b>\$ 2,494,496</b>	<b>\$ 1,553,263</b>
Net book value		<b>\$ 994,347</b>		<b>\$ 941,233</b>

---

**5. Accounts Payable and Accrued Liabilities**

Included in accounts payable and accrued liabilities is \$ 8,110 (2017 - \$ 6,864) in government remittances payable.

---

---

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

**December 31, 2018**

---

**6. Long-term debt**

	2018	2017
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 \$ 826,337, due October 2019	\$ 259,785	\$ 209,368
	259,785	209,368
Current portion	259,785	10,100
Long-term portion of debt	\$ -	\$ 199,268

---

**7. Forgivable Loan**

	2018	2017
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

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.

---

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

**December 31, 2018**

**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	\$ 359,327	\$ 5,470	\$ (23,020)	\$ 341,777
Bursary funds	7,083	17,715	(23,121)	1,677
Winter Youth Development	152,491	-	-	152,491
Other deferred contributions	10,553	17,382	(13,274)	14,661
	<u>\$ 529,454</u>	<u>\$ 40,567</u>	<u>\$ (59,415)</u>	<u>\$ 510,606</u>

**9. Commitments**

The Centre has leased office equipment with an annual lease cost of \$ 3,188 (2017 - \$ 6,865). The lease contracts expire in 2020. Total obligations over the 2 years are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 3,188
2020	<u>797</u>
	<u>\$ 3,985</u>

---

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

**December 31, 2018**

---

**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.

---