



THE CORPORATION OF THE CITY OF VERNON

MEMORANDUM

TO: Patti Bridal, Chief Administrative Officer **FILE:** 1880-03\2024

PC: **DATE:** August 28, 2024

FROM: Elma Hamming, Director, Financial Services

SUBJECT: **HISTORIC O'KEEFE RANCH & INTERIOR HERITAGE SOCIETY
FINANCIAL ASK AND REQUEST FOR NEW LEASE**

At the Regular Council Meeting of August 12, 2024, the Society presented a request for additional financial assistance and a request to enter into discussions for a new lease which Council referred back to staff for a report. The purpose of this report is to provide a lease overview, a financial analysis of the previous five years financial history, a capital overview, and five scenarios to consider regarding next steps. Note that this report does not consider any details on the cultural and/or social benefits to the Vernon community or surrounding communities.

Lease Overview

The City of Vernon and the Society are governed by a 30-year operating lease effective from April 1, 1997 to March 31, 2027. The lease has been provided for reference in Attachment 1. Key points of the lease to consider:

- Clause 1: The City leases the land and improvements to the Society for \$1 per year.
- Clause 4: The Society agrees to repair and maintain in good condition any improvements on the Leased Lands. The City also agrees to pay \$10,000 per year into a reserve fund for future capital works and if not spent could be carried forward up to 2 years. This capital works schedule would be presented to the City for approval.
- Clause 11: The Society shall operate and maintain in good repair, order and condition all plumbing, electrical, heating and pressure systems.
- Clause 14 and 15: The Society shall be responsible for carrying and payment of appropriate property and liability insurance.
- Clause 16: The Society shall not assign this lease or sublet any part of the Leased lands without written consent of the City.
- Clause 24: The Society shall not enter into any subcontract involving the operation of any concession or refreshment facility without the prior consent of the City. The Society shall prepare an annual budget of revenues and expenses in respect of the management and operation of the Leased Lands.
- Clause 27: This lease shall not be amended except by an instrument of writing signed by the parties, asserting the Lease is amended.
- Clause 28: In the event of any dispute, the dispute shall be determined by the provisions of the Commercial Arbitration Act. RSBC 1996 Ch 55.

Financial Analysis 2019-2023

The Society presented the financial statements to staff for the years 2017-2023 for internal analysis, and the 2022 and 2023 Financial Statements are provided as requested by Council under Attachment 2 (2022) and 3 (2023). The Society is a registered charitable organization and their financial information is also available through the Canada Revenue Agency and this information has been summarized in Table 1.

Table 1 below shows the Society's *Statement of Financial Position* from 2019 to 2023. Prior to 2022 the Society had been treating the lease as a capital lease rather than an operating lease which, according to accounting standards, requires a different accounting treatment for leaseholds. In 2022 the financial statements reflect this change on the *Statement of Financial Position*, and shows the impact due to the different accounting treatment which ripples across assets, equity, amortization, other liabilities.

Table 1 Statement of Financial Position

CRA Schedule 6	Code	2023	2022	2021	2020	2019
Assets						
Cash	4100	32,069	242,236	100,399	169,517	53,035
Accounts Receivable	4120	41,045	23,757	86,358	6,448	30,103
Inventory	4150	2,860	2,529	2,529	7,561	9,468
Land and buildings	4155			2,326,875	1,592,767	1,563,142
Other capital assets	4160	1,778,966	1,681,166	540,259	1,168,365	997,394
Other	4170	542,339	542,667	402	17,859	16,536
Amortization	4166	(1,005,835)	(832,108)	(1,124,541)	(1,078,325)	(1,026,347)
Total Assets		1,391,444	1,660,247	1,932,281	1,884,192	1,643,331
Liabilities						
AP and accrued Liabilities	4300	226,644	102,968	104,518	64,394	74,326
Deferred Revenue	4310	47,900	79,292	8,000	19,500	34,678
Other Liabilities	4330	479,169	515,808	233,294	187,870	80,251
Total Liabilities		753,713	698,068	345,812	271,764	189,255
Equity		637,731	962,179	1,586,469	1,612,428	1,454,076

Table 2 below shows the *Statement of Operations* from 2019 – 2023. Revenues take a sharp decline in 2020 due to the COVID year. During these five years, the Society shows increased funding from government sources, and other sources of revenue have rebounded well post-covid. Some increases in expenses may be post-covid related such as *Travel and vehicle expenses* which may be due to increases in energy prices, and *Interest and bank charges* which may be due to increased interest rates. Occupancy costs is a new line for 2022 and 2023 which reflects Utilities and Property taxes which before was classified in a different line item. *Other expenditures* shows a significant increase which is due to City insurance charge accrual previously not recognized by the Society. Other expenditures include insurance, repairs and maintenance, special events and management contract expenses.

Note that in 2021 and 2022 there were several changes from employee to contracts:

1. Management moved from employee to contracted in Spring 2021.
2. Curatorial moved from employee to contract in early 2021.
3. Wedding/third party booking position moved from employee to contract Spring 2021.
4. Bookkeeping/Accounting moved from employee to contracted in Fall 2022.

Table 2 Statement of Operations

		2023	2022	2021	2020	2019
Revenue						
Gifts (issued tax receipts)	4500	10,822	32,457	7,907	36,442	8,788
Gifts from other charities	4510	166	13,594			
Gifts with no tax receipt	4530	10,739	2,235	10,702		
Federal government	4540	100,930	132,542	134,284	140,674	14,820
Provincial government	4550	62,338	11,500	19,500	13,000	42,500
Municipal/Regional government	4560	179,964	144,964	135,000	100,000	103,000
Net proceeds from disposition of assets	4600				1,470	3,830
Land Rental	4610	81,669	75,346	101,250	68,560	131,250
Sale of goods and services	4640	245,397	235,017	168,922	89,923	311,969
Other	4650	98,618	22,074	33,365	11,037	42,749
Total Revenue		790,643	669,729	610,930	461,106	658,906
Expenses						
Advertising and Promotion	4800	7,128	5,683	3,873	5,020	45,321
Travel and vehicle expenses	4810	13,284	10,126	7,313	2,904	6,545
Interest and bank charges	4820	11,794	3,341	5,441	4,134	8,728
Licences, membership, dues	4830	2,930	1,367	2,266	1,095	3,174
Office supplies	4840	24,221	20,314	12,361	11,469	13,133
Occupancy costs	4850	69,607	56,185	-		
Professional and consulting	4860	43,568	22,273	19,361	25,056	28,725
Compensation	4880	385,712	332,284	273,980	180,773	334,322
Purchase supplies	4891	58,898	47,558	34,318	25,135	57,518
Amortization	4900	173,727	132,293	49,840	51,978	53,924
Other expenditures	4920	324,222	123,487	233,136	165,390	221,976
Total Expenses		1,115,091	754,911	641,889	472,954	773,366
Net income (Loss)		(324,448)	(85,182)	(30,959)	(11,848)	(114,460)

CRA also requires societies to group expenditures by activities related to charity, management and fundraising as shown in Table 3.

Table 3 CRA Expenditures by Activity

	2023	2022	2021	2020	2019	
Total Expenditures on charitable activities	5000	633,379	274,193	408,042	397,231	464,020
Total expenditures on management and administration	5010	481,712	428,339	224,201	70,993	77,737
Total expenditures on fundraising	5020		52,379	6,386	4,730	232,009
Not classified				3,260		
Total Expenditures		1,115,091	754,911	641,889	472,954	773,766

It had been stated by the Society at the meeting that it was “insolvent” or would be “insolvent” if the City did not advance additional funds. This speaks to financial indicators that are often used to determine if an enterprise is a going concern. Table 4 contains indicators based on the above financial information. Earnings Before Income Tax, Depreciation and Amortization (EBITDA) shows (\$138,927) which is significantly impacted by an insurance adjustment made in 2023 to adjust 2022 costs. Two liquidity ratios are given, the Debt to Equity ratio which is a long-term ratio and the Current ratio which is a short-term ratio. A healthy debt to equity ratio is 2 (or higher in fixed asset-heavy industries), and a healthy current ratio is greater than 1.5. The Society owes \$155,444 to the City for unpaid insurance costs (as of December, 2023) and \$70,000 for a non-interest-bearing loan. When City debts are removed from the calculation, the current ratio increases from 0.27 to 1.49. A healthy solvency ratio is considered at 20% or above, and when City debt and insurance costs are removed, the Solvency ratio changes from -20% to +36%. A solvency ratio indicates whether a company’s cashflow is sufficient to meet its long-term liabilities. The Society would be insolvent if the City demanded repayment of its debts.

Table 4 Financial Indicators

	2023	2022	2021	2020	2019
EBITDA	(138,927)	50,452	24,322	44,264	(51,808)
Excluding insurance to COV	16,517				
Liquidity ratios:					
DEBT/EQUITY RATIO	1.18	0.73	0.22	0.17	0.13
CURRENT RATIO	0.27	1.46	1.66	2.10	0.76
CR Excluding debt to COV	1.49				
Solvency ratio					
Net income + depreciation/short and long term liabilities	-20%	7%	5%	15%	-32%
Excluding debt and insurance costs to COV	36%				

The Society actively pursues other grants as shown in Table 5 which is based on the annual Financial Statements. The Society has been able to leverage City funds to obtain other grant funds and shows year over year improvement.

Table 5 Financial Statement Note 10 Grant Revenue 2019-2023

Note 10 Grant Revenue					
	2023	2022	2021	2020	2019
City of Vernon	150,000	125,000	125,000	100,000	100,000
Minister of Canadian Heritage	61,870	77,337		71,944	
Canadian Food Inspection Agency	5,308				
Province of BC			19,500	13,000	42,500
BC Arts Council			20,000		
First Peoples' Cultural Council					30,000
Government of Canada			25,908		14,820
Community Foundation	166	6,594	7,000		
BC Gaming Grant	62,338	11,500			
Canadian Museums Association				6,330	9,091
Township of Spallumcheen	10,000		10,000		3,000
Kalamalka Rotary Club		5,000			-
District of Coldstream	19,964	19,964			
First West Foundation		2,000			
Canada Summer Jobs	33,752	34,359			
Total Grants	\$ 343,398	\$ 281,754	\$ 207,408	\$ 191,274	\$ 199,411
Total Grants excluding COV	\$ 193,398	\$ 156,754	\$ 82,408	\$ 91,274	\$ 99,411
% of total grants excluding COV	56%	56%	40%	48%	50%

Capital Overview

The lease refers to capital in clause 4 with a contribution of \$10,000 per year from the City to maintain the assets while it is the responsibility of the Society to bring forward capital projects for approval. It is noted from the Financial Statements that there have been additions to the assets as shown in Table 6 that ongoing investment in capital is being made with a portion of the funds that the City has provided. This is shown on the "Annual Change" row.

Table 6 Financial Statement Note 4 Tangible Capital Assets 2019-2023

Note 4 Tangible Capital Assets					
	2023	2022	2021	2020	2019
Buildings under capital lease			1,297,130	1,236,077	1,206,452
Land improvements			368,770	356,690	356,690
Leasehold Improvements	1,391,568	1,332,368			
Machinery & Equipment	325,858	309,528	511,835	483,322	483,322
Furniture and Equipment	34,907	24,310	121,659	122,374	121,405
Computer Equipment	26,633	14,960	27,480	27,480	27,278
Total	1,778,966	1,681,166	2,326,874	2,225,943	2,195,147
Annual Change In					
Buildings/Land/Leasehold under capital lease	59,200	(333,532)	73,133	29,625	

Note that the change from 2021 to 2022 was the result of a difference of accounting treatment when the lease was determined to be an operating lease rather than a capital lease, mostly affecting amortization rates. The value of the assets decreased and there was also an increase in deferred capital contributions as shown in Table 7 on the row “Add: restricted contributions related to capital asset purchases”.

Table 7 Financial Statement Note 9 Deferred Capital Contributions 2019 - 2023

Note 9 Deferred Capital Contributions					
	2023	2022	2021	2020	2019
Beginning balance	404,792	118,866	70,531	34,678	12,413
Add: restricted contributions related to capital asset purchases	62,994	308,000	54,700	40,560	25,923
Less: amounts amortized to revenue	(98,617)	(22,074)	(6,365)	(4,707)	(3,658)
Ending Balance	369,169	404,792	118,866	70,531	34,678

While complex, this information has been included to show that the Society is making contributions to capital at a higher proportion than indicated in clause 4 of the lease, and that not all the contributions from the City are going to operating, but are going to capital as well.

The Society was successful in obtaining a grant to complete a study on Asset Management and this was presented to Council on April 22, 2024. This study will be pivotal in securing future grant funding for the capital projects listed. Included in the study was a “Capital and Operations Management Plan” (COMP) which provided two scenarios for consideration informed by the previously completed Facility Condition Assessment (FCA) and the Statements of Significance (SOS) and the Heritage Conservation Plan (HCP). These two scenarios are summarized in Table 8 following either a “Restoration” scenario or a “Preservation” scenario. In both these scenarios, necessary capital and operational priorities were provided for future consideration.

Table 8 Capital and Operations Management Plan

CAPITAL PLAN	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	10 YR TOTAL
RESTORATION	550,000	410,000	210,000	200,000	200,000	420,000	310,000	310,000	320,000	310,000	\$ 3,240,000
PRESERVATION	90,000	700,000	200,000	180,000	170,000	150,000	130,000	130,000	140,000	130,000	\$ 2,020,000

Five Scenarios

Considering the lease agreement, the financial analysis, and the capital overview, staff have identified five different scenarios, including impacts, risk, and estimated financial costs, that may guide discussions moving forward.

Table 9 shows some possible scenario options for consideration along with details, immediate impact, applicable lease clause, and impact to future events. By eliminating options that are not desirable, it may be possible to focus on one or two options to work out details that are agreeable.

Table 9 Scenario Options

Scenario Options	Option 1	Option 2	Option 3	Option 4	Option 5
Scenario Option Title	Business as usual	Notice of breach	Cease operations now	Wind down and reorganize	O'Keefe Asks
Key Plan Details	City agrees to additional funds requested by Society to meet their immediate cashflow needs. City and Society keep on same path until end of lease term.	Based on the Society's failure to perform obligations under the Lease	City requests Society to cease operations immediately and hand over keys. City could agree to pay off debts, forgive City debt, in return for operational control, and all inventory and assets.	City requests Society to wind down and reorganize under lease amendment with new terms to be determined. Engage other stakeholders to share responsibilities.	City agrees to O'Keefe Asks as indicated on their website
What is the Immediate Impact	Ongoing potential requests for additional funds with limited oversight.	Potential additional legal costs and deterioration of community relationships. Society would most likely declare bankruptcy and/or go into receivership before city could legally take over assets and inventory as per lease. Debt would remain with the Society and creditors would be paid cents on the dollar.	Revenues lost on 2024 high-profit fall events. Potential grant revenues lost for not keeping students employed during required term. Society is left intact with no encumbrances. Community relationships are honored. Businesses are paid 100% of what is owed. City surplus bid sale held for inventory and assets, or donated to Museum, to recover debt costs.	Complete 2024 high-profit margin events. No impact to grants for students. Businesses can be paid 100% of what is owed. Minimize costs and operations until new/additional stakeholders are brought in and new terms of reference are finalized.	1 \$200,000 per year 2 Pay for insurance 3 Pay for (additional) Capital to continue operations 4 Pay for work required on Mansion before winter
Lease Legal Clause	Lease Term April 1 1997 - Feb 28 2027	Lease clause 20	Lease clause 27	Lease clause 27	Lease clause 27
Event impact	No change	Unknown	Cancelled	Finish the 2024 season (Nov 3)	No change

Table 10 shows the scenario risk impacts of the various options from the point of view of the city taxpayer, city staff/resources, community volunteers, community creditors and legal risk.

Table 11 and Table 12 show the estimated financial costs for each of the options based on the remaining years on the lease and key assumptions. It is assumed, based on the financial information provided, that the Society cannot repay City insurance costs and the loan now, or in the future, or fund capital investment. While costs are estimated, it does provide a ballpark number of where costs could land, and distinguishes the financial differences between options.

Table 10 Scenario Risk Impacts

RISK Impacts	Option 1	Option 2	Option 3	Option 4	Option 5
	Business as usual	Notice of breach	Cease operations now	Wind down and reorganize	O'Keefe Asks
City Taxpayer	HIGH \$ IMPACT	MINIMAL City stops funding but this jeopardizes Society's ability to continue operations.	HIGH \$ IMPACT due to lost revenues offset by minimizing costs	MEDIUM \$ IMPACT due to realizing 2024 event revenues and minimizing costs	HIGH \$ IMPACT
City Staff and resources	MINIMAL	MINIMAL	HIGH \$ AND RESOURCES to wind down operations	MEDIUM	MINIMAL
Community Volunteers	MINIMAL	RISK OF HIGH NEGATIVE SOCIAL IMPACT due to community perceptions	RISK OF HIGH NEGATIVE SOCIAL IMPACT due to community perceptions	NONE	NONE
Community Creditors	MINIMAL - may still have issues down the road	HIGH \$ - creditors may not be paid	NONE - creditors paid	NONE - creditors paid	NONE - creditors paid
Legal Risk	MINIMAL - may still have issues down the road	HIGH	NONE	NONE	NONE

Table 11 Estimated Financial Costs

		Option 1	Option 2	Option 3	Option 4	Option 5
		Business as usual	Notice of breach	Cease operations now	Wind down and reorganize	O'Keefe Asks
Financial Cost Assumptions		Under current operating agreement, Society is unable to pay for ongoing insurance, debt or capital. City assumes responsibility for capital improvements.	City discontinues support and absorbs sunk costs. Assumes an estimated amount for security costs.	City discontinues support and absorbs sunk costs. This cost does not include forfeited net revenues or grant losses. This cost would be offset by sale of assets. Assumes an estimated amount for security costs.	City continues support on the condition other stakeholders are found to share community responsibility. Sunk costs are absorbed and future costs are reduced by a MINIMUM of 50%.	City continues 100% support, absorbs sunk costs, future insurance costs, and assumes responsibility for capital improvements.
Financial Ask	2024	\$ 85,000			\$ 85,000	\$ 85,000
	2025	\$ 150,000			\$ 75,000	\$ 200,000
	2026	\$ 150,000			\$ 75,000	\$ 200,000
Accounts Payable	2024			\$ 48,763		
Security	2024		\$ 80,000	\$ 80,000		
	2025		\$ 240,000	\$ 240,000		
Insurance costs	2019	\$ 29,033	\$ 29,033	\$ 29,033	\$ 29,033	\$ 29,033
	2020	\$ 25,387	\$ 25,387	\$ 25,387	\$ 25,387	\$ 25,387
	2021	\$ 22,268	\$ 22,268	\$ 22,268	\$ 22,268	\$ 22,268
	2022	\$ 35,965	\$ 35,965	\$ 35,965	\$ 35,965	\$ 35,965
	2023	\$ 42,791	\$ 42,791	\$ 42,791	\$ 42,791	\$ 42,791
	2024	\$ 43,000	\$ 43,000		\$ 43,000	\$ 43,000
	2025	\$ 44,000			\$ 22,000	\$ 44,000
Debt	2024	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
	2025	\$ 90,000			\$ 45,000	\$ 90,000
Additional Capital using Scenario 2 Preservation	2025	\$ 700,000			\$ 350,000	\$ 700,000
	2026	\$ 200,000			\$ 100,000	\$ 200,000
2024-2027 Total Estimated Commitment costs		\$ 1,732,444	\$ 588,444	\$ 594,207	\$ 1,042,944	\$ 1,832,444

Table 12 Estimated Financial Costs over 3 years (remaining time in lease)

Estimated Financial costs over 3 years (remaining time in lease)			2024	2025	2026	Total
Option 1	Business as usual	Under current operating agreement, Society is unable to pay for ongoing insurance, debt or capital. City assumes responsibility for capital improvements.	\$ 443,444	\$ 894,000	\$ 395,000	\$ 1,732,444
Option 2	Notice of breach	City discontinues support and absorbs sunk costs.	\$ 348,444	\$ 240,000		\$ 588,444
Option 3	Cease operations now	City discontinues support and absorbs sunk costs. This cost does not include forfeited net revenues or grant losses. This cost would be offset by sale of assets.	\$ 354,207	\$ 240,000		\$ 594,207
Option 4	Wind down and reorganize	City continues support on the condition other stakeholders are found to share community responsibility. Sunk costs are absorbed and future costs are reduced by a MINIMUM of 50%.	\$ 398,444	\$ 447,000	\$ 197,500	\$ 1,042,944
Option 5	O'Keefe Asks	City continues 100% support, absorbs sunk costs, future insurance costs, and assumes responsibility for capital improvements.	\$ 443,444	\$ 944,000	\$ 445,000	\$ 1,832,444

RECOMMENDATION:

THAT Council receive for information the memorandum titled "HISTORIC O'KEEFE RANCH & INTERIOR HERITAGE SOCIETY FINANCIAL ASK AND REQUEST FOR NEW LEASE" dated September 3, 2024 and respectfully submitted by Director, Financial Services.

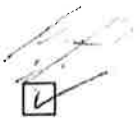
THAT Council direct Administration to [action desired] as outlined in the memorandum titled 'HISTORIC O'KEEFE RANCH & INTERIOR HERITAGE SOCIETY FINANCIAL ASK AND REQUEST FOR NEW LEASE' dated August 28, 2024 and respectfully submitted by Director, Financial Services.

Respectfully submitted:



Attachment 1 – Lease Agreement
Attachment 2 – Financial Statements 2022
Attachment 3 – Financial Statements 2023

Approved for the Agenda by the CAO

A handwritten signature in black ink, appearing to be "L. J. ...", written over a small square box.

THIS INDENTURE OF LEASE made as of the 1st day of April, 1997.

BETWEEN:

THE CORPORATION OF THE CITY OF VERNON, a
Municipal Corporation, having its offices at 3400 - 30th
Street, in the City of Vernon, Province of British
Columbia

(hereinafter referred to as the "Lessor")

OF THE FIRST PART

AND:

O'KEEFE RANCH & INTERIOR HERITAGE SOCIETY, a
Society duly incorporated under the laws of the Province
of British Columbia, (Inc. No. 12979), having its
registered office at 4th Floor, 3205 - 32nd Street, in the
City of Vernon, Province of British Columbia

(hereinafter referred to as the "Lessee")

OF THE SECOND PART

IN CONSIDERATION of the rents, covenants and agreements hereinafter reserved
and contained on the part of the Lessee to be paid, observed and performed,
WITNESSETH THAT the said Lessor doth demise unto the said Lessee, which
hereby accepts the lease of the same, the lands and premises described as
follows:

FIRSTLY: Lot A, except Plans 14176 and 15411;
SECONDLY: Lot D;
THIRDLY: Lot E;
all of DL 104, ODYD, Plan 1488; and,

FOURTHLY: Lot 2, DL 104, ODYD, Plan 14176;

(hereinafter collectively called the "Leased Lands")

which are shown outlined in red on the plan attached hereto and forming part of this Lease Agreement as Schedule "A".

To have and to hold from the 1st day of April, 1997 for the term of Thirty (30) years (hereinafter called the "Term"), subject to the conditions herein set forth and payment of the rentals hereinafter covenanted to be paid by the Lessee.

THE LESSEE'S OBLIGATIONS

1. The Lessee covenants and agrees to pay to the Lessor during the said Term the rent for the Leased Lands of One Dollar (\$1.00) for the Term hereof. The rent shall be paid on the first day of the year, or portion thereof, of the Term hereof, at the office of the Lessor at the place designated for notices herein.
- 2 The Lessee covenants and agrees that the Leased Lands shall be used and occupied for the purpose of preserving the historical quality of the ranch known as the "O'Keefe Ranch" located on the Leased Lands.
3. The Lessee covenants and agrees to keep the Leased Lands in such a condition as to comply with Federal, Provincial, Governmental and Municipal laws and regulations.
4. The Lessee covenants and agrees to repair and maintain in good condition any improvements now or hereafter erected or installed on the Leased Lands and to keep up the fences around and upon the Leased Lands in good repair.

5. Notwithstanding paragraph 4 herein:
- (a) The Lessor agrees to pay \$10,000.00 for repairs to the improvements, as requested and specified by the Lessee and approved by the Lessor, during the period April 1, 1998 to March 31, 1999.
 - (b) In addition to subparagraph (a) above, the Lessor agrees to establish a \$10,000.00 reserve fund, commencing April 1, 1999, (hereinafter referred to as the "Reserve Fund") for future capital works, as requested and specified by the Lessee and approved by the Lessor, during each year of the term of this Lease;
 - (c) Any monies of the Reserve Fund not spent in any one year may be added to the following year's Reserve Fund. However, any such monies for any year may only be carried over twice, pursuant to a three-year capital works program approved by the Lessor. Any monies not spent pursuant to the above shall be used as a credit towards the \$10,000.00 required for the Reserve Fund in the following year.
6. The Lessee shall not cut down timber upon the Leased Lands hereby demised.
7. The Lessee shall cultivate the Leased Lands in a proper and husbandmanlike manner and will not impoverish or waste the same.

8. The Lessee covenants and agrees to pay all taxes, rates and assessments that may be levied against the Leased Lands or the Lessee's goods, chattels or equipment on the Leased Lands or upon or in respect of any other activity carried on upon or in connection with the Leased Lands during the Term hereby granted.

9. In the event that the Lessee remains in possession of the Leased Lands after the expiration of the Lease and without the execution and delivery of a new Lease, the Lessee shall be deemed to be occupying the leased premises as a tenant-at-will, provided nothing herein contained shall preclude the Lessor from taking action for recovery of possession of the Leased Lands.

10. (a) The Lessee shall operate and maintain in good repair, order and condition all plumbing, electrical, heating and pressure systems in, on or forming a part of the main residence located on the Leased Lands (hereinafter referred to as the "Systems"); and,

(b) The Lessee covenants and agrees that the Lessor may enter and view the state of repair of the Leased Lands, the improvements thereon and the Systems at all reasonable times, and that the Lessee will repair according to notice in writing provided by the Lessor to the Lessee.

11. The Lessee covenants and agrees with the Lessor that it will at all times during the continuance of the Term hereby demised, keep and, at the termination, yield up the Leased Lands in good and tenantable repair, reasonable wear and tear being excepted; and the Lessee further covenants and agrees to

allow any incoming tenant or purchaser to cultivate the Leased Lands after harvest (if any) in the last year of the said Term of this Lease.

12. The Lessee shall and hereby agrees to indemnify and save harmless the Lessor of and from all loss and damage and all fines, costs, suits, claims, demands and actions of any kind or nature for which the Lessor shall or may become liable or incur or suffer by reason of breach, violation or non-performance by the Lessee of any covenant, term or provision hereof or by reason of any Builder's or other Liens for work done or materials provided or services rendered for improvements, alterations or repairs made by the Lessee to the Leased Lands or the Systems or by reason of any injury occasioned to or suffered by any person or damage to any property by reason of wrongful act, neglect or default on the part of the Lessee or any of its employees, agents, contractors, customers, licensees or invitees.

13. The Lessor shall not be liable or responsible in any way for any personal or consequential injury of any nature whatsoever that may be suffered or sustained by the Lessee or by any employee, agent, customer, licensee or invitee of the Lessee or any other person who may be upon the Leased Lands or for any loss or damage howsoever caused to any property belonging to the Lessee or to its employees, agents, customers, licensees, invitees or any other person while such property is in or about the Leased Lands, save such as is caused by the willful act or neglect of the Lessor.

14. (a) The Lessor covenants to insure the buildings and fixtures on the Leased Lands with an "all risks" property insurance policy. The insured values will be at the actual value of the buildings

and fixtures. The insurance coverage will be part of the Lessor's "all risks" policy for its other buildings and fixtures and the Lessee covenants to pay its pro-rated share based on the value of its buildings and fixtures as insured against the total value of all buildings and fixtures insured by the Lessor on the said "all risks" policy. The Lessee shall pay the Lessor within 30 days of demand of same;

- (b) The Lessor covenants to insure the mobile home, farm tractor No. 516M, mower No. 517M, and any replacement therefor, with a standard "all risks" property insurance policy;
- (c) Insurance effected by the Lessor under this paragraph shall be with insurers duly licensed to transact insurance in British Columbia, shall be in amounts (unless otherwise specified) which the Lessor shall from time to time determine and advise the Lessee of by notice in writing, and shall be subject to such reasonable deductibles and exclusions as the Lessor may determine and be without subrogation against the Lessor, and the Lessor shall provide to the Lessee forthwith upon demand certified copies of such insurance coverage.

- 15. (a) The Lessee covenants to maintain, during the term of this Lease, a policy or policies of general public liability insurance against claims for bodily injury or death, environmental damage if toxic products are used or stored by the Lessee on the Leased Lands, and property damage arising out of the use and

occupancy by the Lessee of the premises located on the Leased Lands, the amount of such insurance to be not less than Five Million Dollars (\$5,000,000.00) in respect of any one accident;

- (b) The Lessee also covenants that the amount of public liability insurance shall be increased from time to time at the request of the Lessor to an amount to be mutually agreed upon between the Lessor and Lessee. Failing such agreement, the provisions of paragraph 28 shall apply;
- (c) All policies of insurance required to be carried by the Lessee shall include both Lessor and Lessee as named insureds, shall cover and protect the Lessor and the Lessee as their respective interests may appear, shall provide that loss shall be payable to the Lessor and shall contain such endorsements as may from time to time be reasonably required by the Lessor and, without limiting the generality of the foregoing, shall contain endorsements:
 - (i) providing that neither material change, nor reducing the coverage afforded, nor cancellation of such policies shall be effected without 30 days prior written notice to the Lessor;
 - (ii) providing that the insurance provided thereby shall be primary and shall not be contributory with any other insurance carried by the Lessor;

(iii) providing that the insurance coverage required hereby shall for all purposes, including that of cross liability, apply to each insured in the same manner and to the same extent as though a separate policy had been issued to each;

(d) The Lessee shall deliver to the Lessor, at least 15 days before the expiry and at least seven days before the cancellation of any policy or policies of insurance carried pursuant to this section, evidence of the renewal or replacement thereof, the whole to the satisfaction of the Lessor.

16. The Lessee shall not assign this Lease or sublet any part of the Leased Lands for the whole or any portion of the Term of this Lease without the written consent of the Lessor. If the Lessee wishes to assign or sublet all or any part of the Leased Lands for the whole or any portion of the Term of this Lease, the Lessee shall, by notice to the Lessor, request the Lessor's consent to such assignment or subletting, stating in such notice the full particulars thereof, including the proposed assignee or sublessees (as the case may be), effective date, rental date, use, term and space involved. Within thirty (30) days of receipt of such notice or receipt of such further information as the Lessor may reasonably require, the Lessor shall, by notice to the Lessee, elect to:

(a) agree to consent to such assignment or subletting; or,

- (b) decline to consent to such assignment or subletting, which shall be within the absolute discretion of the Lessor; or,
- (c) provided the Lessee has not withdrawn the notice, terminate this Lease as of the effective date of the proposed assignment or subletting.

THE LESSOR'S COVENANTS

17. The Lessor covenants with the Lessee for quiet enjoyment, subject to the provisions of this Lease, and to observe and perform all of the covenants and provisions of this Lease on its part to be observed and performed.

ADDITIONAL COVENANTS

18. If, at any time during the Term of this Lease, title is taken to the whole or a portion of the Leased Lands by right of exercise by any competent authority of powers of condemnation or expropriation, the Lessor may, at its option, give notice to the Lessee terminating this Lease on the date stated in the notice. Upon such termination or upon termination by operation of law, as the case may be, the Lessee shall immediately surrender the Leased Lands and all its interest therein, and the rent shall abate and be apportioned to the date of termination and the Lessee shall forthwith pay to the Lessor the apportioned rent. The Lessee shall have no claim upon the Lessor for the value of its property or the unexpired Term of this Lease but the parties shall each be entitled to separately advance their claims for compensation for the loss of their respective interests in the Leased Lands and the parties shall each be entitled to receive and retain such

compensation as may be ordered to each respectively. If an award of compensation made to the Lessor specifically includes an award for the Lessee, the Lessor will account therefor to the Lessee.

19. Any notice to be given hereunder shall be in writing and may be either delivered personally or sent by prepaid registered mail and, in the latter case, shall be deemed to have been given three days following the date upon which it was mailed. The addresses of the parties for the purpose hereof shall respectively be:

Of the Lessor: 3400 - 30th Street
 Vernon, B.C.
 V1T 5E6

Of the Lessee: Box 955
 Vernon, B.C.
 V1T 6M8

Any notice or service required to be given or effected under any statutory provision or rule of court from time to time in effect in the Province of British Columbia shall be sufficiently given or served if mailed to or delivered at the addresses aforesaid.

20. If the Lessee shall fail to perform any of the covenants or obligations of the Lessee under this Lease, the Lessor may from time to time (but shall not be so obliged), at its discretion, perform or cause to be performed the covenant or obligation or any part thereof wherein the Lessee is in breach; and for such purpose may take any payment or do or cause to be done such things as may be requisite, including, without limitation of the generality of the foregoing, entry upon the Leased Lands. All expenses, costs and expenditures thereby incurred (including reasonable legal fees) shall forthwith on demand be paid by the Lessee

and may be recovered by all remedies available for recovery of rent in arrears; and the Lessor shall not be liable for any loss or damage to the Lessee's property caused by reasonable and responsible acts of the Lessor.

21. Provided always and it is expressly agreed, that if the rent hereby reserved shall be unpaid for Fifteen (15) days after the day on which the same ought to have been paid (although no formal demand shall have been made thereof) or in the case of the breach or non-performance of any of the covenants and agreements herein contained on the part of the said Lessee or permitted assigns, then and in either of such cases, it shall be lawful for the said Lessor and its assigns, without notice or any form of legal process, to forthwith re-enter upon the whole of the Leased Lands or any part thereof in the name of the whole, to re-enter and the same to have again, repossess and enjoy as of their former state, anything herein contained to the contrary notwithstanding.

22. No act or omission of a party, nor any condonement, excusing or overlooking by a party of any default, breach or non-observance by the other at any time or times in respect of any covenant, proviso or condition herein contained, shall operate as a precedent nor as waiver of that party's rights hereunder in respect of any subsequent default, breach or non-observance, nor as to defeat or affect in any way the rights of the party in respect of any subsequent default, breach or non-observance.

23. If and whenever the Lessor shall be entitled to or does re-enter, the Lessor may terminate this Lease by giving notice thereof and in such event the Lessee shall forthwith vacate and surrender the Leased Lands.

24. The Lessee shall:

- (a) insofar as it is practical so to do and is consistent with the comfort, safety and convenience of the public, design, construct and decorate any buildings, structures or other facilities on the Leased Lands in a manner calculated to create an historic or pioneer atmosphere;
- (b) provide entertainment for the public, including, without limitation, as the Lessee may deem necessary, such amusement devices, rides, shows, games and displays to accommodate, educate or entertain the public, provided always that such devices, rides, shows, games and displays are consistent with the preservation of the historic quality of the Leased Lands;
- (c) not construct any building, structure or other facility on the Leased Lands without the prior approval of the Lessor;
- (d) not charge admission to the Leased Lands or charge for the use of the facilities thereon without the prior approval of the Lessor;
- (e) not enter into any subcontract involving the operation of any concession or refreshment facility without the prior consent of the Lessor;
- * (f) prepare and submit to the Lessor for approval, not less often than yearly, a budget in respect of management and operation

expenses setting forth expected revenues and expenses in respect of management and operation of the Leased Lands.

LEASE OF O'KEEFE RANCH INVENTORY

25. In addition to the demise of the Leased Lands herein contained, the Lessor hereby agrees to lease to the Lessee and the Lessee hereby agrees to take delivery from the Lessor those certain vehicles, equipment, machinery and chattels more particularly described, enumerated and set forth in the O'Keefe Ranch Inventory attached hereto as Schedule "B" (which said vehicles, equipment, machinery and chattels are hereinafter referred to as the "O'Keefe Ranch Inventory") for the Term and at the agreed monthly rent and upon the terms and conditions hereinafter set forth:

- (a) The Term shall commence on the 1st day of April, 1997 and shall continue for a period of Thirty (30) years;
- (b) The agreed rent for the Term shall be One Dollar (\$1.00), to be paid by the Lessee to the Lessor on execution hereof (receipt whereof is hereby acknowledged);
- (c) The historic artifacts contained in the O'Keefe Ranch Inventory shall be used in conjunction with the preservation of the historical quality of the Leased Lands and improvements thereon and shall not be removed for any purpose whatsoever from the Leased Lands without the prior written consent of the

Lessor had and obtained, which consent may not be unreasonably withheld;

- (d) The Lessee shall obtain and maintain during the Term hereof, at the Lessee's expense, general insurance coverage covering loss or damage to the O'Keefe Ranch Inventory by fire, theft or vandalism and the provisions of subparagraph 14(c) shall apply to such insurance coverage.
- (e) The Lessee covenants and agrees that it shall, during the Term hereof, be responsible for all necessary repairs to and operating costs of the O'Keefe Ranch Inventory, reasonable wear and tear excepted, and that upon request of the Lessor, the Lessee shall permit the Lessor to inspect the O'Keefe Ranch Inventory within Three (3) days from the date of such request;
- (f) The Lessee shall take every reasonable precaution to prevent loss or damage to the O'Keefe Ranch Inventory and shall advise the Lessor and the insurer of all accidents, claims or mishaps involving the O'Keefe Ranch Inventory;
- (g) The Lessee shall permit only careful and properly licensed or qualified operators to operate any of the vehicles and machinery included in the O'Keefe Ranch Inventory;
- (h) On termination of the Term herein granted, the Lessee shall immediately deliver up and give possession of the historic

artifacts contained in the O'Keefe Ranch Inventory to the Lessor;

- (i) The Lessor shall have the right to cancel the Lease and demise of the O'Keefe Ranch Inventory provided for in this paragraph and repossess any or all of the O'Keefe Ranch Inventory if the Lessee fails to keep and perform all the terms and conditions of this paragraph;
- (j) To the extent the other paragraphs of this Lease are not otherwise inconsistent with the agreements and understandings contained in this paragraph 24, the terms, provisions, covenants and conditions of this Lease apply to the lease and demise of the O'Keefe Ranch Inventory contained therein.

26. No director, officer, member, employee or agent shall have any personal pecuniary interest, either directly or indirectly, in any contract with the Lessor respecting any operation authorized herein.

27. This Lease shall not be or be deemed or construed to be modified or amended except by an instrument in writing signed by the parties hereto, specifically asserting that the Lease is thereby amended.

28. In the event of any dispute between the Lessor and the Lessee relating to any term, condition or covenant of this Lease, the dispute shall be determined by the provisions of the *Commercial Arbitration Act*, R.S.B.C. 1996, ch. 55, and

amendments thereto, or such similar statute as may be enforced if the said *Commercial Arbitration Act* shall have been repealed.

29. These presents and everything herein contained shall, except where otherwise provided, be binding upon and enure to the benefit of the parties hereto and the successors and assigns of the Lessor and the successors and permitted assign and sublessees of the Lessee and shall be interpreted according to the laws of the Province of British Columbia.

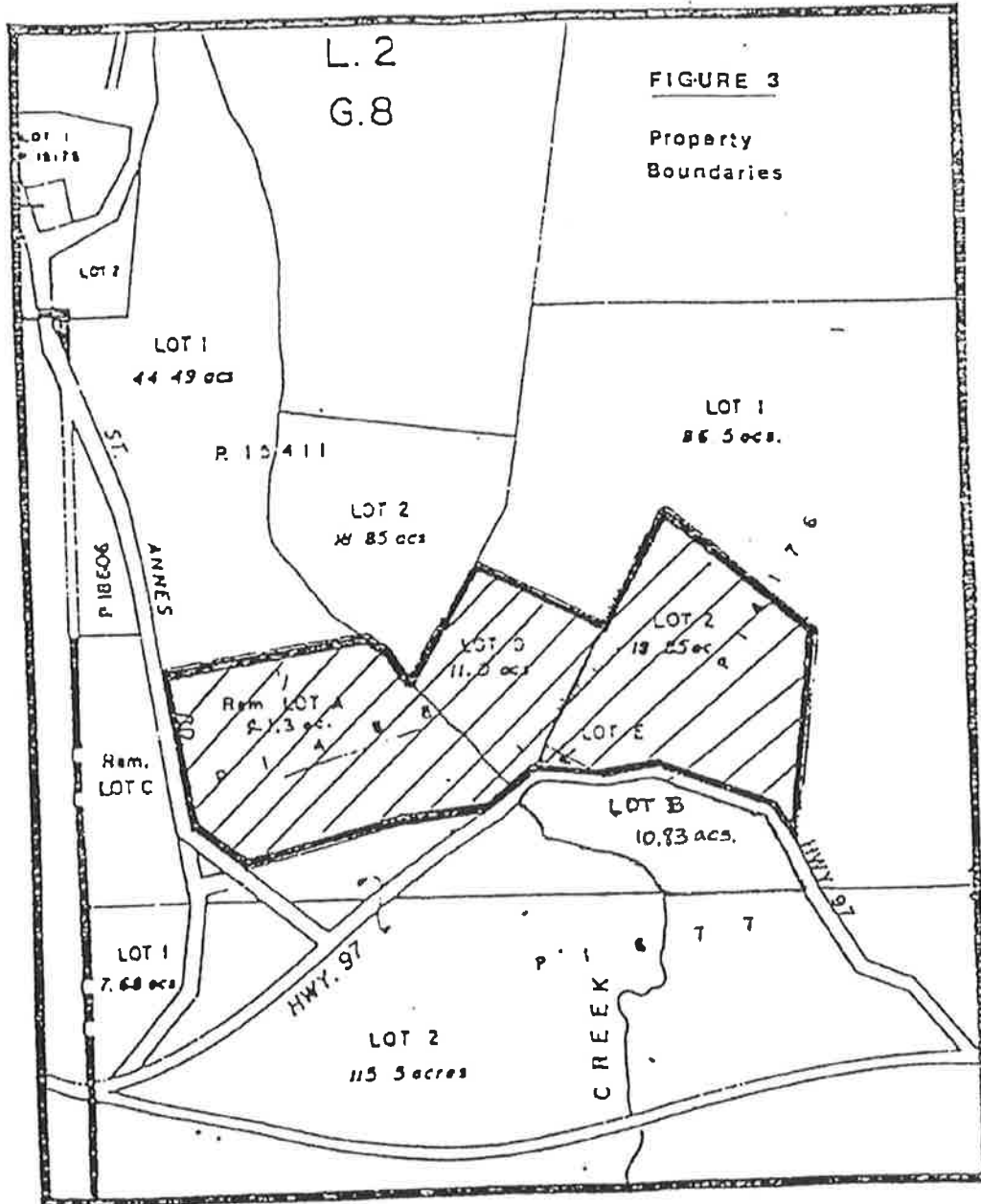
IN WITNESS WHEREOF the said parties hereto have executed this Lease by affixing their Corporate Seals by their authorized officers in that behalf, as of the day and year first above written.

THE CORPORATION OF)
 THE CITY OF VERNON)
 by its authorized signatories:)
 _____)
 Mayor - Wayne McGrath)
 _____)
 City Clerk - Margaret Bailey)

O'KEEFE RANCH & INTERIOR)
 HERITAGE SOCIETY)
 by its authorized signatory(ies))
 _____)
 _____)
 _____)

SCHEDULE "A"

O'KEEFE RANCH LANDS



DATED: April 1, 1997

BETWEEN:

THE CORPORATION OF THE CITY OF VERNON
OF THE FIRST PART

AND:

O'KEEFE RANCH & INTERIOR HERITAGE SOCIETY
OF THE SECOND PART

LEASE

SIGALET, MAGUIRE & MARSDEN
Barristers & Solicitors
2904 - 29th Avenue
Vernon, B.C.
V1T 1Y7

JSM 7552-200
F:\angie\city\O'Keefe.Lse2

**From the Desk of
Greg Hurst**

Memo

To: O'Keefe Ranch & Interior Heritage Society Members
From: Greg Hurst, Treasurer
cc:
Date: June 22, 2023
Re: 2022 Financial Statements and BDO Review

The O'Keefe Ranch & Interior Heritage Society Financial Statements For the Year Ended December 31, 2022 ("Financial Statements") as prepared by BDO are attached to this Memorandum. Please note the following:

- These Financial Statements are intended primarily for the use of Members of the O'Keefe Ranch & Interior Heritage Society. It is requested that Members respect and preserve the information contained in the Financial Statements as confidential.
- This Memorandum contains important contextual information and must remain attached to all copies of the Financial Statements both printed and electronic.

BDO's Independent Practitioner's Review Engagement Report notes a "deficiency of revenues over Expenses" which "indicates the existence of a material uncertainty that may cast significant doubt about O'Keefe Ranch & Interior Heritage Society's ability to continue as a going concern.", and refers readers to Note 2 of the Financial Statements. The Statement of Operations identifies the Deficiency of revenue over expenses for the 2022 Fiscal Year to be \$624,290 (\$30,929 2021). It is fundamentally important that readers of the Financial Statements should note the following concerning these figures:

1. The Society's Statement of Financial Position (balance sheet) for years prior to 2022 incorrectly included buildings and structures owned by the City of Vernon. Accounting adjustments to correct this error resulted in one-time accounting entries in 2022 relating to Leasehold improvements and amortization totaling \$539,108 for a "Loss on disposal of assets". This entry does not reflect any actual transactions other than corrections to the erroneous accounting for certain "Tangible capital assets". This is explained in Note 4.

In recognition of this issue, BDO has included the subtotal "Loss before other items", which is a more comparative measure for the Statement of Operations.

2. The Amortization Expense entry of \$132,293 (\$49,840 2021) is an accounting transaction and does not reflect any actual transactions. For 2022 it has increased significantly consequent to a change in the amortization accounting policy for the Society. For 2021 and prior years, financial statements were prepared on the incorrect basis that the lease agreement between the Society and the City of Vernon was a capital lease. The 2022 Financial Statements are prepared on the basis that the lease is an operating lease. Under the capital lease basis buildings and improvements were incorrectly amortized on the declining balance method at a rate of 2%. On the operating lease basis they are amortized on a straight line basis to the end of the lease (5.25 years for the period January 1, 2022 to the March 31, 2027 lease expiry date). These matters are explained in Note 4.

Amortization expense is not an operating concern for the Society, primarily for the reason that at the end of the Lease leaseholder improvements revert to ownership of the City of Vernon. **Accordingly, it is suggested that readers should note that the Society realized a gain before the depreciation expense of \$47,111 in 2022 (\$18,881 2021).**

**O'Keefe Ranch & Interior Heritage
Society
Financial Statements
For the Year Ended December 31, 2022
(Unaudited)**

O'Keefe Ranch & Interior Heritage Society
Financial Statements
For the Year Ended December 31, 2022
(Unaudited)

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Tel: 250 545 2136
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BDO Canada LLP
2706 30th Avenue, Suite 202
Vernon, BC V1T 2B6

Independent Practitioner's Review Engagement Report

**To the board of directors of
O'Keefe Ranch & Interior Heritage Society**

We have reviewed the accompanying financial statements of O'Keefe Ranch & Interior Heritage Society that comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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.

Practitioner's 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.

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 O'Keefe Ranch & Interior Heritage Society as at December 31, 2022, 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.

**Emphasis of Matter**

Without qualifying our conclusion, we draw attention to Note 2 in the financial statements, which indicates that O'Keefe Ranch & Interior Heritage Society has a deficiency of revenues over expenses during the year ended December 31, 2022. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about O'Keefe Ranch & Interior Heritage Society's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

As required by the Societies 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.

Chartered Professional Accountants

Vernon, British Columbia
June 22, 2023

O'Keefe Ranch & Interior Heritage Society
Statement of Financial Position
(Unaudited)

December 31	2022	2021
Assets		
Current		
Cash and cash equivalents	\$ 242,236	\$ 100,399
Accounts receivable (Note 3)	23,757	86,358
Inventories	2,529	2,529
Deposits and prepaid expenses	2,408	402
	<u>270,930</u>	<u>189,688</u>
Tangible capital assets (Note 4)	849,058	1,202,334
Historical artifact collection (Note 5)	540,259	540,259
	<u>\$ 1,660,247</u>	<u>\$ 1,932,281</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 102,968	\$ 104,518
Deferred contributions for future expenses (Note 7)	79,292	8,000
Current portion of long-term debt (Note 8)	111,016	73,048
	<u>293,276</u>	<u>185,566</u>
Long-term debt (Note 8)	-	41,380
Deferred capital contributions (Note 9)	404,792	118,866
	<u>698,068</u>	<u>345,812</u>
Net Assets		
Equity in Tangible Capital Assets and Historical Artifact Collection	983,509	1,619,433
Internally restricted	43,950	-
Unrestricted	(65,280)	(32,964)
	<u>962,179</u>	<u>1,586,469</u>
	<u>\$ 1,660,247</u>	<u>\$ 1,932,281</u>

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

**O'Keefe Ranch & Interior Heritage Society
Statement of Changes in Net Assets
(Unaudited)**

For the year ended December 31	Tangible Capital Assets and Historical Artifact Collection	Internally Restricted	Unrestricted	2022 Total	2021 Total
Balance, beginning of the year	\$ 1,619,433	\$ -	\$ (32,964)	\$ 1,586,469	\$ 1,612,428
Excess (deficiency) of revenues over expenses	(649,463)	-	25,173	(624,290)	(30,959)
Grant proceeds for tangible capital assets purchases	(308,000)	-	308,000	-	-
Acquisition of tangible capital assets	318,127	-	(318,127)	-	-
Transfer of funds	-	43,950	(43,950)	-	-
Contributions of historical artifacts	-	-	-	-	5,000
Debt repayment	3,412	-	(3,412)	-	-
Balance, end of the year	\$ 983,509	\$ 43,950	\$ (65,280)	\$ 962,179	\$ 1,586,469

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

O'Keefe Ranch & Interior Heritage Society
Statement of Operations
(Unaudited)

For the year ended December 31	2022	2021
Revenue		
Grants (Note 10)	\$ 281,754	\$ 207,408
Admission and special events	198,223	147,184
Rent	75,346	101,250
Government assistance (Note 11)	20,846	108,376
General store and gift shop	36,794	21,738
Donations	34,692	18,609
Amortization of deferred capital contributions (Note 9)	22,074	6,365
	<u>669,729</u>	<u>610,930</u>
Expenses		
Advertising and promotion	5,683	3,873
Amortization	132,293	49,840
Bad debts	630	3,260
Insurance (recovery)	(54,368)	38,897
Interest and bank charges	3,341	5,441
Materials and supplies	47,558	34,318
Memberships and licences	1,367	2,266
Office	20,314	12,361
Professional fees	22,273	19,361
Property taxes	8,038	9,687
Repairs and maintenance	20,016	25,333
Special events	52,379	16,669
Sub-contracts	8,830	90,218
Travel	734	1,426
Utilities	48,147	49,072
Vehicle	9,392	5,887
Wages	428,284	273,980
	<u>754,911</u>	<u>641,889</u>
Loss before other items	(85,182)	(30,959)
Loss on disposal of assets	539,108	-
Deficiency of revenues over expenses	\$ (624,290)	\$ (30,959)

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

O'Keefe Ranch & Interior Heritage Society
Statement of Cash Flows
(Unaudited)

For the year ended December 31	2022	2021
Cash flows from operating activities		
Cash receipts from customers	\$ 760,702	\$ 404,778
Cash receipts from government	20,846	108,376
Cash paid to suppliers and employees	<u>(626,172)</u>	<u>(529,506)</u>
	<u>155,376</u>	<u>(16,352)</u>
Cash flows from investing activities		
Acquisition of tangible capital assets	(318,127)	(100,354)
Capital contributions received	<u>308,000</u>	<u>50,500</u>
	<u>(10,127)</u>	<u>(49,854)</u>
Cash flows from financing activities		
Repayment of long-term debt	(3,412)	(22,912)
Proceeds from long-term debt	-	20,000
	<u>(3,412)</u>	<u>(2,912)</u>
Net increase (decrease) in cash	141,837	(69,118)
Cash and cash equivalents, beginning of the year	100,399	169,517
Cash and cash equivalents, end of the year	\$ 242,236	\$ 100,399

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

**O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)**

December 31, 2022

1. Significant Accounting Policies

Nature and Purpose of Organization	O'Keefe Ranch & Interior Heritage Society (the "Society") was incorporated on March 7, 1977 under the Society Act of British Columbia. The Society operates a heritage site depicting the ranching history of the North Okanagan. As part of the operations of the heritage site, the Society rents facilities and operates a retail store and gift shop. The Society is a registered charity under the Income Tax Act and is exempt from income taxes provided that certain requirements of the Income Tax Act are met.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
Cash and cash equivalents	Cash and cash equivalents are defined as cash on hand and cash held at financial institutions as well as highly liquid investments, consisting primarily of credit union equity.
Revenue Recognition	<p>The Society follows the deferral method of accounting for contributions.</p> <p>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 reasonably assured.</p> <p>Restricted net investment income is recognized as revenue in the year in which the related expenses are incurred. Restricted net investment income that must be added to the principal amount of resources held for endowment is recognized as a direct increase in net assets. Unrestricted net investment income is recognized as revenue when earned.</p> <p>The Society recognizes operating revenue upon receipt for admissions, special events and sales.</p>

**O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)**

December 31, 2022

1. Significant Accounting Policies (continued)

Tangible Capital Assets Purchased tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution unless fair value is not determinable in which case contributed tangible capital assets are recorded at nominal value at the date of contribution. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the tangible capital asset are capitalized.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Leasehold improvements	Straight line	lease term
Farm machinery	Declining balance	15%
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30%

When a tangible capital asset no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

When a tangible capital asset is disposed of, the difference between the net proceeds on disposition and the net carrying amount is recognized in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset disposed of is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Contributed Services Volunteers contribute a significant amount of time each year to assist the Society in fundraising and carrying out its program and services. Because of the difficulty in determining their fair value, contributed services of volunteers are not recognized in these financial statements.

Inventory Inventory is valued at the lower of cost and estimated net realizable value.

O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)

December 31, 2022

1. Significant Accounting Policies (continued)

Historical Artifact Collection	The Society's collection is capitalized in the statement of financial position but is not subject to amortization. Contributions of collection items are reported directly to net assets and as an increase to tangible capital assets at their fair value. When fair value cannot be determined, the contribution is recognized at a nominal value.
Use of Estimates	The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from these estimates.
Financial Instruments	<p>Financial instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.</p> <p>The Society's financial instruments consist of cash, accounts receivable, accounts payable, short term debt and long term debt. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments.</p>
Leased Assets	Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Under operating leases, assets arising from leasehold improvements are amortized on a straight-line basis over the term of the lease, which is the estimated useful life of the assets.

O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)

December 31, 2022

1. Significant Accounting Policies (continued)

Government Incentives	The Society makes periodic applications for financial assistance under government incentive programs. Government assistance received during the year for current expenses is included in the determination of net income for the year. Government assistance related to capital expenditures is shown as a reduction of the cost of such assets.
Impairment of Long-lived Assets	When a tangible capital asset no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized to revenue in the statement of operations, provided that all restrictions have been complied with.

2. Going Concern

The Society has recurring deficiency of revenues over expenses of \$85,182 from operations prior to deducting the loss on disposal of capital assets and has a working capital deficiency. As a result, there is material uncertainty that may cast significant doubt as to whether the Society will have the ability to continue as a going concern.

The Society's ability to continue as a going concern is dependent on finding new funding sources, reducing expenses and obtaining government support measures. The Society currently has an outstanding loan with the City of Vernon, which has been the subject of discussion with the City. The City has agreed to continue deferral of repayment to a future date to be mutually determined as the Society formulates a repayment plan. If the Society is unable to renegotiate payment terms on the loan, there is a possibility that the Society may be unable to continue to realize its assets and to discharge its liabilities in the normal course of operations.

These financial statements are prepared on a going concern basis in accordance with Canadian accounting standards for not-for-profit organizations which assumes that the Society will be able to obtain adequate financing as required and realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of the assets and liabilities.

**O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)**

December 31, 2022

3. Accounts Receivable

	2022	2021
Trade receivables	\$ 4,662	\$ 79,946
GST receivable	19,095	6,412
	\$ 23,757	\$ 86,358

4. Tangible Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 1,332,368	\$ 539,788	\$ 1,808,965	\$ 688,031
Machinery and equipment	309,528	269,694	368,770	307,659
Furniture and equipment	24,310	10,544	121,659	105,140
Computer equipment	14,960	12,082	27,480	23,710
	1,681,166	832,108	2,326,874	1,124,540
		\$ 849,058		\$ 1,202,334

Capital assets acquired during the year that were not put into use as at the year-end date include property improvements totalling \$273,916 (2021 - \$21,271).

During the year, the Society reviewed its lease agreement with the City. As a result, it was determined that leases previously accounted for as capital leases are in fact operating leases. As a result, it was determined that buildings on the property at the start of the lease were not capital assets of the Society. These assets have been written off in the current year resulting in a one-time loss of \$491,621 which has been included in net income. Additionally, the Society changed the basis of calculating amortization of leaseholder improvements from a declining balance method of 2% per year to a straight-line method over 5.25 years, representing the years remaining in the lease agreement at the beginning of the year.

O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)

December 31, 2022

5. Historical Artifact Collection

	2022	2021
Period farm, household and personal effects	\$ 537,164	\$ 537,164
Rare breed animals	3,095	3,095
	\$ 540,259	\$ 540,259

6. Accounts Payable and Accrued Liabilities

	2022	2021
Accounts payable and accrued liabilities	\$ 95,980	\$ 94,252
Government remittances	6,988	10,266
	\$ 102,968	\$ 104,518

Included in accounts payable is an accrual for insurance payable to the City of Vernon that is determined in a cost-sharing agreement between the Society and the City based on the value of certain assets owned by the City and used by the Society. These amounts are subject to negotiation between the City and the Society as the value of the underlying assets is undergoing review; as such, these amounts are subject to change and may be updated in subsequent periods.

7. Deferred Contributions for Future Expenses

Deferred contributions represent unspent resources externally restricted for operations, received in the current period that is related to expenses of a subsequent period. Changes in the deferred contributions balance are as follows:

	2022	2021
Beginning balance	\$ 8,000	\$ 19,500
Less: amounts recognized as revenue in the year	(18,078)	(19,500)
Amounts received related to expenses of a subsequent period	89,370	8,000
	\$ 79,292	\$ 8,000

O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)

December 31, 2022

8. Long-Term Debt

	2022	2021
Kubota Canada Ltd financing, secured by specific equipment with a carrying value of \$8,148, repayable in monthly installments of \$254 bearing no interest, due April 2023	\$ 1,016	\$ 4,428
City of Vernon financing repayable in lump-sum payment at the end of the term, bearing no interest, due December 31, 2022	70,000	70,000
Canada Emergency Business Account forgivable loan payable to Vantageone Credit Union, with no repayment terms or interest until December 2023. The loan will be forgiven at 33% of the repaid balance at December 31, 2023, up to a maximum of \$20,000. Any unpaid principle at December 31, 2023 will be subject interest only payments, at 5.0% per annum, and must be fully repaid by December 31, 2025.	40,000	40,000
Subtotal	111,016	114,428
Current portion	(111,016)	(73,048)
Long-term portion of debt	\$ -	\$ 41,380

9. Deferred Capital Contributions

Deferred capital contributions represent the unamortized portion of contributed capital assets and restricted contributions used to purchase capital assets. The changes in the deferred contributions balance for the period are as follows:

	2022	2021
Beginning balance	\$ 118,866	\$ 70,531
Add: restricted contributions related to capital asset purchases	308,000	54,700
Less: amounts amortized to revenue	(22,074)	(6,365)
Ending balance	\$ 404,792	\$ 118,866

**O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)**

December 31, 2022

10. Grant Revenue

	2022	2021
City of Vernon	\$ 125,000	\$ 125,000
Department of Canadian Heritage	77,337	-
Province of British Columbia	-	19,500
British Columbia Arts Council	-	20,000
Government of Canada	-	25,908
Community Foundation	6,594	7,000
BC Gaming Grant	11,500	-
Township of Spallumcheen	-	10,000
Kalamalka Rotary Grant	5,000	-
District of Coldstream	19,964	-
First West Foundation Grant	2,000	-
Canada Summer Jobs Grant	34,359	-
	\$ 281,754	\$ 207,408

11. Government Assistance

During the year, the Society received financial assistance from the federal government under the Canada Emergency Wage Subsidy program, which provides financial relief of employee's wages to employers impacted by the COVID-19 pandemic. The subsidy received has been recorded directly to income.

12. Economic Dependence

The Society relies on the City of Vernon and the provincial government for significant operating grants and for favourable land lease terms. Grants from the City of Vernon and the Federal Government account for 29% of the Society's revenue (2021 - 20%). In prior years, the Society has expended considerable resources on infrastructure repairs to fixed capital assets owned by the City of Vernon. The Society is developing a business plan and its continued operation as a going concern in the future will depend on its partnership with the City of Vernon to allow the Society to focus on day to day visitor operations with the City focusing on needed repairs to fixed capital assets owned by the City. The Society's leases with the City of Vernon expires on March 31, 2027 provided all the terms of the lease are adhered to by the Society.

**O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)**

December 31, 2022

13. Commitments and Contractual Obligations

The Society has entered into a commercial lease agreement with the City of Vernon ("Vernon"), for land, related facilities and collections commonly known as O'Keefe Ranch and Interior Heritage Society. The lease agreement is for a term of 30 years, renewable on April 1, 2027. The annual commitment on this lease is \$1 per year beginning on April 1, 1997. The agreement states that the Society will be responsible for maintaining improvements present at time of signing, as well as throughout the duration of the lease.

14. Financial Instruments

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 Society is exposed to credit risk resulting from accounts receivable.

Liquidity risk

Liquidity risk is the risk that the company encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Society 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 a less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable, short term debt and its reliance on grant funding to have sufficient funds to settle obligations over the course of the year.

Attachment 3

**O'Keefe Ranch & Interior Heritage
Society
Financial Statements
For the Year Ended December 31, 2023
(Unaudited)**

**O'Keefe Ranch & Interior Heritage Society
Financial Statements
For the Year Ended December 31, 2023
(Unaudited)**

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Vernon, BC V1T 2B6

Independent Practitioner's Review Engagement Report

**To the board of directors of
O'Keefe Ranch & Interior Heritage Society**

We have reviewed the accompanying financial statements of O'Keefe Ranch & Interior Heritage Society that comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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.

Practitioner's 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.

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 O'Keefe Ranch & Interior Heritage Society as at December 31, 2023, 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.



Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 in the financial statements, which indicates that O'Keefe Ranch & Interior Heritage Society has a deficiency of revenues over expenses during the year ended December 31, 2023. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about O'Keefe Ranch & Interior Heritage Society's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

As required by the Societies 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

Vernon, British Columbia
March 28, 2024

O'Keefe Ranch & Interior Heritage Society
Statement of Financial Position
(Unaudited)

December 31	2023	2022
Assets		
Current		
Cash and cash equivalents	\$ 32,069	\$ 242,236
Accounts receivable (Note 3)	41,045	23,757
Inventories	2,860	2,529
Deposits and prepaid expenses	2,080	2,408
	<u>78,054</u>	<u>270,930</u>
Tangible capital assets (Note 4)	773,131	849,058
Historical artifact collection (Note 5)	540,259	540,259
	<u>\$ 1,391,444</u>	<u>\$ 1,660,247</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 226,644	\$ 102,968
Deferred contributions for future expenses (Note 7)	47,900	79,292
Current portion of long-term debt (Note 8)	110,000	111,016
	<u>384,544</u>	<u>293,276</u>
Deferred capital contributions (Note 9)	369,169	404,792
	<u>753,713</u>	<u>698,068</u>
Net Assets		
Equity in Tangible Capital Assets and Historical Artifact Collection	944,221	983,509
Internally restricted	43,950	43,950
Unrestricted	(350,440)	(65,280)
	<u>637,731</u>	<u>962,179</u>
	<u>\$ 1,391,444</u>	<u>\$ 1,660,247</u>

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

**O'Keefe Ranch & Interior Heritage Society
Statement of Changes in Net Assets
(Unaudited)**

For the year ended December 31	Tangible Capital Assets and Historical Artifact Collection	Internally Restricted	Unrestricted	2023 Total	2022 Total
Balance, beginning of the year	\$ 983,509	\$ 43,950	\$ (65,280)	\$ 962,179	\$ 1,586,469
Excess (deficiency) of revenues over expenses	(75,110)	-	(249,338)	(324,448)	(624,290)
Grant proceeds for tangible capital assets purchases	(62,994)	-	62,994	-	-
Acquisition of tangible capital assets	97,800	-	(97,800)	-	-
Debt repayment	1,016	-	(1,016)	-	-
Balance, end of the year	\$ 944,221	\$ 43,950	\$ (350,440)	\$ 637,731	\$ 962,179

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

O'Keefe Ranch & Interior Heritage Society
Statement of Operations
(Unaudited)

For the year ended December 31	2023	2022
Revenue		
Grants (Note 10)	\$ 343,398	\$ 281,754
Admission and special events	217,017	198,223
Rent	81,669	75,346
Government assistance	-	20,846
General store and gift shop	28,381	36,794
Donations	21,561	34,692
Amortization of deferred capital contributions (Note 9)	98,617	22,074
	<u>790,643</u>	<u>669,729</u>
Expenses		
Advertising and promotion	7,128	5,683
Amortization	173,727	132,293
Bad debts	-	630
Insurance (recovery)	147,873	(54,368)
Interest and bank charges	11,794	3,341
Materials and supplies	58,898	47,558
Memberships and licences	2,930	1,367
Office	24,221	20,314
Professional fees	43,568	22,273
Property taxes	3,360	8,038
Repairs and maintenance	14,720	20,016
Special events	65,629	52,379
Travel	579	734
Utilities	66,247	48,147
Vehicle	12,705	9,392
Wages	481,712	437,114
	<u>1,115,091</u>	<u>754,911</u>
Loss before other items	(324,448)	(85,182)
Loss on disposal of assets	-	539,108
Deficiency of revenues over expenses	\$ (324,448)	\$ (624,290)

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

O'Keefe Ranch & Interior Heritage Society
Statement of Cash Flows
(Unaudited)

For the year ended December 31	2023	2022
Cash flows from operating activities		
Cash receipts from customers	\$ 643,346	\$ 760,702
Cash receipts from government	-	20,846
Cash paid to suppliers and employees	<u>(817,691)</u>	<u>(626,172)</u>
	<u>(174,345)</u>	<u>155,376</u>
Cash flows from investing activities		
Acquisition of tangible capital assets	<u>(97,800)</u>	<u>(318,127)</u>
Capital contributions received	<u>62,994</u>	<u>308,000</u>
	<u>(34,806)</u>	<u>(10,127)</u>
Cash flows from financing activities		
Repayment of long-term debt	<u>(1,016)</u>	<u>(3,412)</u>
Net increase (decrease) in cash	(210,167)	141,837
Cash and cash equivalents, beginning of the year	<u>242,236</u>	<u>100,399</u>
Cash and cash equivalents, end of the year	<u>\$ 32,069</u>	<u>\$ 242,236</u>

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

O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)

December 31, 2023

1. Significant Accounting Policies

Nature and Purpose of Organization	O'Keefe Ranch & Interior Heritage Society (the "Society") was incorporated on March 7, 1977 under the Society Act of British Columbia. The Society operates a heritage site depicting the ranching history of the North Okanagan. As part of the operations of the heritage site, the Society rents facilities and operates a retail store and gift shop. The Society is a registered charity under the Income Tax Act and is exempt from income taxes provided that certain requirements of the Income Tax Act are met.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
Cash and cash equivalents	Cash and cash equivalents are defined as cash on hand and cash held at financial institutions as well as highly liquid investments, consisting primarily of credit union equity.
Revenue Recognition	<p>The Society follows the deferral method of accounting for contributions.</p> <p>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 reasonably assured.</p> <p>Restricted net investment income is recognized as revenue in the year in which the related expenses are incurred. Restricted net investment income that must be added to the principal amount of resources held for endowment is recognized as a direct increase in net assets. Unrestricted net investment income is recognized as revenue when earned.</p> <p>The Society recognizes operating revenue upon receipt for admissions, special events and sales.</p>

O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)

December 31, 2023

1. Significant Accounting Policies (continued)

Tangible Capital Assets Purchased tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution unless fair value is not determinable in which case contributed tangible capital assets are recorded at nominal value at the date of contribution. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the tangible capital asset are capitalized.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Leasehold improvements	Straight line	lease term
Farm machinery	Declining balance	15%
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30%

When a tangible capital asset no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

When a tangible capital asset is disposed of, the difference between the net proceeds on disposition and the net carrying amount is recognized in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset disposed of is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Contributed Services Volunteers contribute a significant amount of time each year to assist the Society in fundraising and carrying out its program and services. Because of the difficulty in determining their fair value, contributed services of volunteers are not recognized in these financial statements.

Inventory Inventory is valued at the lower of cost and estimated net realizable value.

O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)

December 31, 2023

1. Significant Accounting Policies (continued)

Historical Artifact Collection	The Society's collection is capitalized in the statement of financial position but is not subject to amortization. Contributions of collection items are reported directly to net assets and as an increase to tangible capital assets at their fair value. When fair value cannot be determined, the contribution is recognized at a nominal value.
Use of Estimates	The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from these estimates.
Financial Instruments	<p>Financial instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.</p> <p>The Society's financial instruments consist of cash, accounts receivable, accounts payable, short term debt and long term debt. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments.</p>
Leased Assets	Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Under operating leases, assets arising from leasehold improvements are amortized on a straight-line basis over the term of the lease, which is the estimated useful life of the assets.

O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)

December 31, 2023

1. Significant Accounting Policies (continued)

Government Incentives The Society makes periodic applications for financial assistance under government incentive programs. Government assistance received during the year for current expenses is included in the determination of net income for the year. Government assistance related to capital expenditures is shown as a reduction of the cost of such assets.

Impairment of Long-lived Assets When a tangible capital asset no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized to revenue in the statement of operations, provided that all restrictions have been complied with.

2. Going Concern

The Society has recurring deficiency of revenues over expenses of \$324,448 from operations, and a working capital deficiency of \$306,490. As a result, there is material uncertainty that may cast significant doubt as to whether the Society will have the ability to continue as a going concern.

The Society's ability to continue as a going concern is dependent on finding new funding sources, reducing expenses and obtaining government support measures. The Society currently has an outstanding loan with the City of Vernon, which has been the subject of discussion with the City. The City has agreed to continue deferral of repayment to a future date to be mutually determined as the Society formulates a repayment plan. If the Society is unable to renegotiate payment terms on the loan, there is a possibility that the Society may be unable to continue to realize its assets and to discharge its liabilities in the normal course of operations.

These financial statements are prepared on a going concern basis in accordance with Canadian accounting standards for not-for-profit organizations which assumes that the Society will be able to obtain adequate financing as required and realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of the assets and liabilities.

O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)

December 31, 2023

3. Accounts Receivable

	2023	2022
Trade receivables	\$ 10,719	\$ 4,662
GST receivable	30,326	19,095
	\$ 41,045	\$ 23,757

4. Tangible Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 1,391,568	\$ 702,289	\$ 1,332,368	\$ 539,788
Machinery and equipment	325,858	276,344	309,528	269,694
Furniture and equipment	34,907	14,257	24,310	10,544
Computer equipment	26,633	12,945	14,960	12,082
	1,778,966	1,005,835	1,681,166	832,108
		\$ 773,131		\$ 849,058

5. Historical Artifact Collection

	2023	2022
Period farm, household and personal effects	\$ 537,164	\$ 537,164
Rare breed animals	3,095	3,095
	\$ 540,259	\$ 540,259

O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)

December 31, 2023

6. Accounts Payable and Accrued Liabilities

	2023	2022
Accounts payable and accrued liabilities	\$ 218,139	\$ 95,980
Government remittances	8,505	6,988
	\$ 226,644	\$ 102,968

Included in accounts payable is an accrual for insurance payable to the City of Vernon that is determined in a cost-sharing agreement between the Society and the City based on the value of certain assets owned by the City and used by the Society. These amounts are subject to negotiation between the City and the Society as the value of the underlying assets is undergoing review; as such, these amounts are subject to change and may be updated in subsequent periods.

7. Deferred Contributions for Future Expenses

Deferred contributions represent unspent resources externally restricted for operations, received in the current period that is related to expenses of a subsequent period. Changes in the deferred contributions balance are as follows:

	2023	2022
Beginning balance	\$ 79,292	\$ 8,000
Less: amounts recognized as revenue in the year	(119,914)	(18,078)
Amounts received related to expenses of a subsequent period	88,522	89,370
Ending balance	\$ 47,900	\$ 79,292

O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)

December 31, 2023

8. Long-Term Debt

	2023	2022
City of Vernon financing repayable in lump-sum payment at the end of the term, bearing no interest, due on demand.	\$ 70,000	\$ 70,000
Canada Emergency Business Account forgivable loan payable to VantageOne Credit Union, with no repayment terms or interest until December 2023. The loan will be forgiven at 33% of the repaid balance at January 18, 2024, up to a maximum of \$20,000. Any unpaid principle at January 18, 2024 will be subject interest only payments, at 5.0% per annum, and must be fully repaid by December 31, 2025.	40,000	40,000
Kubota Canada Ltd financing, repaid in the year	\$ -	\$ 1,016
Subtotal	110,000	111,016
Current portion	(110,000)	(111,016)
Long-term portion of debt	\$ -	\$ -

Subsequent to year-end, the Society repaid the Canadian Emergency Business Account forgivable loan.

9. Deferred Capital Contributions

Deferred capital contributions represent the unamortized portion of contributed capital assets and restricted contributions used to purchase capital assets. The changes in the deferred contributions balance for the period are as follows:

	2023	2022
Beginning balance	\$ 404,792	\$ 118,866
Add: restricted contributions related to capital asset purchases	62,994	308,000
Less: amounts amortized to revenue	(98,617)	(22,074)
Ending balance	\$ 369,169	\$ 404,792

O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)

December 31, 2023

10. Grant Revenue

	2023	2022
City of Vernon	\$ 150,000	\$ 125,000
Department of Canadian Heritage	61,870	77,337
Canadian Food Inspection Agency	5,308	-
Community Foundation	166	6,594
BC Gaming Grant	62,338	11,500
Township of Spallumcheen	10,000	-
Kalamalka Rotary Grant	-	5,000
District of Coldstream	19,964	19,964
First West Foundation Grant	-	2,000
Canada Summer Jobs Grant	33,752	34,359
	\$ 343,398	\$ 281,754

11. Economic Dependence

The Society relies on the City of Vernon and the provincial government for significant operating grants and for favourable land lease terms. Grants from the City of Vernon and the Federal Government account for 33% of the Society's revenue (2022 - 29%). In prior years, the Society has expended considerable resources on infrastructure repairs to fixed capital assets owned by the City of Vernon. The Society is developing a business plan and its continued operation as a going concern in the future will depend on its partnership with the City of Vernon to allow the Society to focus on day to day visitor operations with the City focusing on needed repairs to fixed capital assets owned by the City. The Society's leases with the City of Vernon expires on March 31, 2027 provided all the terms of the lease are adhered to by the Society.

12. Commitments and Contractual Obligations

The Society has entered into a commercial lease agreement with the City of Vernon ("Vernon"), for land, related facilities and collections commonly known as O'Keefe Ranch and Interior Heritage Society. The lease agreement is for a term of 30 years, renewable on April 1, 2027. The annual commitment on this lease is \$1 per year beginning on April 1, 1997. The agreement states that the Society will be responsible for maintaining improvements present at time of signing, as well as throughout the duration of the lease.

**O'Keefe Ranch & Interior Heritage Society
Notes to Financial Statements
(Unaudited)**

December 31, 2023

13. Financial Instruments

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 Society is exposed to credit risk resulting from accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Society encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Society 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, short term debt and its reliance on grant funding to have sufficient funds to settle obligations over the course of the year.
