

**SUMMERSIDE RESIDENTS ASSOCIATION**

**FINANCIAL STATEMENTS**

**December 31, 2019**



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## Independent Auditor's Report

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To the Board of Directors of Summerside Residents Association

### Opinion

We have audited the financial statements of Summerside Residents Association (the "Association"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants

Calgary, Alberta  
April 27, 2020

**SUMMERSIDE RESIDENTS ASSOCIATION**  
**Statement of Financial Position**  
**As at December 31**

	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 1,164,355	\$ 961,030
Accounts receivable	24,408	45,851
Prepaid expenses	14,438	12,913
	<u>1,203,201</u>	<u>1,019,794</u>
<b>CAPITAL ASSETS (Note 4)</b>	<u>2,664,721</u>	<u>2,692,182</u>
	<u><b>\$ 3,867,922</b></u>	<u><b>\$ 3,711,976</b></u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 92,361	\$ 55,409
Goods and services tax payable	22,105	1,163
Demand loan payable (Note 5)	2,813,665	2,919,023
Deferred revenue	613,300	573,401
	<u>3,541,431</u>	<u>3,548,996</u>
<b>DEFERRED CAPITAL CONTRIBUTION (Note 7)</b>	<u>100,000</u>	<u>200,000</u>
	3,641,431	3,748,996
<b>NET ASSETS (DEFICIENCY) (Note 8)</b>		
Net assets invested in capital assets	2,564,721	2,492,182
Unrestricted net deficiency	(2,338,230)	(2,529,202)
	<u>226,491</u>	<u>(37,020)</u>
	<u><b>\$ 3,867,922</b></u>	<u><b>\$ 3,711,976</b></u>

Commitments (Note 9)

Subsequent events (Note 10)

Approved on behalf of the Association:

B. Tanasichuk Director

[Signature] Director

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

**SUMMERSIDE RESIDENTS ASSOCIATION**  
**Statement of Operations**  
**For the year ended December 31**

	<u>2019</u>	<u>2018</u>
<b>REVENUE</b>		
Membership fees	\$ 1,647,263	\$ 1,531,939
Program income	150,823	126,221
Amortization of deferred capital contributions	100,000	100,000
Beach club rental	63,795	74,389
Interest and other (Note 3)	61,627	69,738
	<u>2,023,508</u>	<u>1,902,287</u>
<b>EXPENSES</b>		
Salaries and benefits	766,676	714,963
Amortization	196,608	167,519
Programs	144,933	129,264
Administration	136,018	124,415
Loan interest	126,752	119,557
Beach club maintenance	121,424	119,226
Property tax	93,948	91,249
Professional fees (Note 3)	59,465	35,887
Utilities	48,778	43,486
Repairs and maintenance	29,730	17,691
Security	19,001	16,960
Insurance	14,149	11,804
Advertising and promotion	4,442	3,255
Gain on disposal of assets	(1,927)	(2,271)
	<u>1,759,997</u>	<u>1,593,005</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u><u>\$ 263,511</u></u>	<u><u>\$ 309,282</u></u>

**SUMMERSIDE RESIDENTS ASSOCIATION**  
**Statement of Changes in Net Assets (Deficiency)**  
**For the year ended December 31**

	<b>Invested in capital assets</b>	<b>Unrestricted</b>	<b>2019</b>	<b>2018</b>
<b>Balance, beginning of year</b>	\$ 2,492,182	\$ (2,529,202)	\$ (37,020)	\$ (346,302)
Acquisition of capital assets	181,120	(181,120)	-	-
Excess of revenue over expenses	-	263,511	263,511	309,282
Amortization of capital assets	(196,608)	196,608	-	-
Disposal of capital assets	(11,973)	11,973	-	-
Amortization of deferred capital contributions	100,000	(100,000)	-	-
<b>Balance, end of year</b>	<b>\$ 2,564,721</b>	<b>\$ (2,338,230)</b>	<b>\$ 226,491</b>	<b>\$ (37,020)</b>

**SUMMERSIDE RESIDENTS ASSOCIATION**  
**Statement of Cash Flows**  
**For the year ended December 31**

	<u>2019</u>	<u>2018</u>
<b>NET CASH INFLOW (OUTFLOW) RELATED TO</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 263,511	\$ 309,282
Items not affecting cash and cash equivalents		
Amortization of capital assets	196,608	167,519
Amortization of deferred capital contributions	(100,000)	(100,000)
Gain on disposal of capital assets	(1,927)	(2,271)
	<u>358,192</u>	<u>374,530</u>
Changes in non-cash working capital items		
Accounts receivable	21,443	(6,785)
Goods and services tax	20,942	(22,631)
Prepaid expenses	(1,525)	(2,797)
Accounts payable and accrued liabilities	36,952	4,809
Deferred revenue	39,899	31,283
	<u>475,903</u>	<u>378,409</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(181,120)	(176,422)
Proceeds on disposal of capital assets	13,900	2,727
	<u>(167,220)</u>	<u>(173,695)</u>
<b>FINANCING ACTIVITIES</b>		
Payments on demand loan	(105,358)	(64,043)
	<u>(105,358)</u>	<u>(64,043)</u>
<b>NET CASH INFLOW</b>	<b>203,325</b>	<b>140,671</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	961,030	820,359
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 1,164,355</u></b>	<b><u>\$ 961,030</u></b>

**SUMMERSIDE RESIDENTS ASSOCIATION**  
**Notes to the Financial Statements**  
**December 31, 2019**

**1. SIGNIFICANT ACCOUNTING POLICIES**

a) Purpose

The Summerside Residents Association (the "Association") was incorporated as a not-for-profit corporation on July 31, 2000 under Section 9 of the Companies Act of the Province of Alberta, R.S.A. 1980. As such, the Association is exempt from income tax under Section 149 of the Income Tax Act. The Association owns and operates amenities for the use of its members, the residents of Summerside. The operations of the Association are governed by the Summerside Management Agreement dated August 2001 between the Association and Brookfield Residential (Alberta) LP ("Brookfield Residential").

b) Basis of Accounting

The financial statements of the Association have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

c) Cash and Cash Equivalents

Cash and cash equivalents consists of cash held at financial institutions and term deposits with maturity dates within three months of balance sheet date.

d) Revenue Recognition

The Association uses the deferral method of accounting for contributions. Contributions of capital assets or funds for the purchase of capital assets which are subject to amortization are deferred and amortized on the same basis as those capital assets. Contributions of capital assets or funds for the purchase of capital assets which are not subject to amortization, are recorded as a direct increase to net assets.

Membership and other fees are recognized as revenue in the year to which they relate. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions, such as grants and donations not designated for a specific purpose, are recognized as revenue when received if the amount can be reasonably estimated and collection is reasonably assured.

Deferred revenue includes membership fees that arise from receipt of payments in advance of the period on which they will be earned.

Program revenues, rental revenues, maintenance revenues, and interest are recorded on an accrual basis and recognized when amounts are known and collection is reasonably assured.

e) Use of Estimates

In accordance with ASNPO, estimates and assumptions are made by management in the preparation of these financial statements. These estimates may impact the amounts included in the financial statements. The most significant of these estimates are related to amortization and the estimated useful life of the capital assets and accrued liabilities. Actual results could differ from these estimates.



**SUMMERSIDE RESIDENTS ASSOCIATION**  
**Notes to the Financial Statements**  
**December 31, 2019**

**1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

f) Capital Assets

Capital assets purchased by the Association are recorded at cost. Capital assets contributed to the Association are recorded at fair value on the date of contribution.

Amortization is based on estimated useful life calculated on a straight line basis as follows:

Buildings and vehicles	5-15 years
Boats and docks	5-10 years
Equipment, office equipment and maintenance equipment	5-12 years
Computer equipment	1-5 years
Park amenities	2-25 years

g) Impairment of Long-Lived Assets

Tangible capital assets are tested annually for impairment where impairment indicators are present. This would occur if an item no longer contributes to the Association's ability to provide services. Any excess of the item's carrying value, with no long-term service potential, over its residual value is recognized as an expense of the period.

h) Financial Instruments

A financial asset or liability is recognized when the Association becomes party to the contractual provisions of the financial instrument. All financial instruments, except derivative financial instruments, are initially measured at fair value and subsequently at cost or amortized cost. Derivative financial instruments are subsequently measured at fair value with changes being reported in net income.

Financial assets are tested for impairment when changes in circumstances indicate that the asset could be impaired. Transaction costs on the acquisition and sale of financial instruments are expensed for those items re-measured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

**SUMMERSIDE RESIDENTS ASSOCIATION**  
**Notes to the Financial Statements**  
**December 31, 2019**

**2. CASH AND CASH EQUIVALENTS**

Included in cash and cash equivalents are guaranteed investment certificates (GICs) totaling \$509,010 (2018 - \$500,000), all with interest rates of 2.60% (2018 - 1.70% - 1.87%), all of which mature on January 26, 2020.

**3. RELATED PARTY TRANSACTIONS**

The Summerside Management Agreement grants Brookfield Residential control of the management of the Association and management of the Summerside amenities until the Effective Date (defined below). Until such time, the powers of the Officers and Directors to manage the business affairs of the Association are temporarily restrained.

The Effective Date is defined as the later of: (i) the date upon which Brookfield Residential has sold its last lands within the Summerside development; or, (ii) the date upon which all amounts owing to Brookfield Residential by the Association have been repaid. Brookfield Residential may, at an earlier date and at its discretion, transfer portions of the amenities or certain aspects of management to the Association.

During the year, the following transactions occurred with Brookfield Residential:

- a) The Association received \$3,537 (2018 - \$6,677) for services provided to Brookfield Residential which requires the Association to maintain certain public areas within the Brookfield communities.
- b) The following expenses were incurred for services provided by Brookfield Residential to the Association which is included in professional fees:

	<u>2019</u>	<u>2018</u>
Administration	\$ 28,000	\$ 24,000

All transactions are in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

**SUMMERSIDE RESIDENTS ASSOCIATION**  
**Notes to the Financial Statements**  
**December 31, 2019**

**4. CAPITAL ASSETS**

	2019		2018	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 1,257,797	\$ 967,142	\$ 290,655	\$ 356,138
Vehicles	57,767	32,729	25,038	28,699
Boats	79,826	66,901	12,925	13,903
Docks	42,039	30,743	11,296	15,394
Equipment	227,862	104,128	123,734	94,208
Office equipment	64,295	50,151	14,144	8,358
Maintenance equipment	102,227	96,418	5,809	15,208
Computer equipment	22,599	19,718	2,881	4,745
Park amenities	362,066	198,827	163,239	140,529
	2,216,478	1,566,757	649,721	677,182
Land	2,015,000	-	2,015,000	2,015,000
	<b>\$ 4,231,478</b>	<b>\$ 1,566,757</b>	<b>\$ 2,664,721</b>	<b>\$ 2,692,182</b>

**5. DEMAND LOAN**

In February 2014, ATB provided a demand loan facility with a maximum amount of \$3,300,000. This loan bears interest at the ATB prime rate plus 0.45% (2018 - 0.45%) per annum, is due on demand and is payable in monthly blended payments of \$22,230 (2018- \$15,300). The loan is secured by a general security agreement covering the Association's present and after acquired property and floating charge on land, a first mortgage agreement registered against the property in the amount of \$3,300,000, postponement and assignment of claims from Brookfield Residential, and comfort letter from Brookfield Residential covering all debt servicing shortfalls up to the Effective Date (defined in Note 3).

The loan is expected to be renewed each year. The principal payment estimated to be required in each of the next five years and thereafter are as follows :

2020	\$ 145,553
2021	\$ 152,439
2022	\$ 159,283
2023	\$ 166,434
2024	\$ 173,635
Thereafter	\$ 2,016,321

**SUMMERSIDE RESIDENTS ASSOCIATION**  
**Notes to the Financial Statements**  
**December 31, 2019**

**6. FINANCIAL INSTRUMENTS**

The Association, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments; interest rate risk, credit risk and liquidity risk. There has been no change in the risk exposure since last year. The risks and related management strategies are discussed below:

a) Interest rate risk

The Association is exposed to interest rate cash flow risk as a result of the demand loan from ATB, whereby the cash flows required to service the debt will fluctuate with changes in market rates.

b) Credit risk

The Association is exposed to credit risk through its cash and cash equivalents and accounts receivable.

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Association's credit risk is primarily attributable to its accounts receivable. The accounts receivable represents annual charges not collected from members. The risk is mitigated due to the fact that the Association takes legal action on overdue accounts and places a lien on the property of the member and will collect the annual charge upon sale of the home if the member chooses not to pay the annual charge. The Association also has a number of members which minimizes the concentration of credit risk.

c) Liquidity risk

Liquidity risk is the risk that the Association would encounter difficulty in meeting obligations with financial liabilities.

Liquidity risk includes the risk that the Association will not have sufficient funds to settle a transaction on the due date. Liquidity risk arises from the accounts payable and accrued liabilities and the demand loan.

**7. DEFERRED CAPITAL CONTRIBUTION**

Deferred contributions relate to capital assets contributed to the Association by Brookfield Residential. The balance consists of \$1,000,000 (2018 - \$1,000,000), less accumulated amortization of \$900,000 (2018 - \$800,000).

The land contributed by Brookfield Residential in previous years is not subject to amortization and was therefore recorded as a direct increase to net assets.

**SUMMERSIDE RESIDENTS ASSOCIATION**  
**Notes to the Financial Statements**  
**December 31, 2019**

**8. NET ASSETS (DEFICIENCY)**

The Association may budget and set aside any of the accumulated excess of revenues over expenditures to create a reserve fund for the purpose of replacing future assets, maintaining the property and meeting contingencies. Currently, the Association has an unrestricted net deficiency of \$2,338,230 (2018 - \$2,529,202) and has internally restricted the net assets invested in capital assets of \$2,564,721 (2018 - \$2,492,182).

**9. COMMITMENTS**

The Association has commitments related to operating leases for office equipment. Payments expected over the remaining term of the leases are as follows:

2020	\$	6,416
2021	\$	1,248

**10 SUBSEQUENT EVENTS**

Subsequent to year end, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in worldwide emergency measures to combat the spread of the virus. These measures, which include self-quarantine periods, have caused disruption to businesses globally, which are resulting in an economic slowdown. The duration and impact of COVID-19 outbreak is unknown at this time, including measures implemented by governments and central banks. It is not possible to reliably estimate the length or effect of these developments, including the impact on the financial results of the Association in future periods.