# SUMMERSIDE RESIDENTS ASSOCIATION

## FINANCIAL STATEMENTS

### December 31, 2022

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# Independent Auditor's Report

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, 2022, 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, 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.

## 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
June 27, 2023

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

| | | 2022 | | 2021 |
|---|---|---|---|---|
| **CURRENT ASSETS** | | | | |
| Cash and cash equivalents (Note 2) | $ | 1,695,143 | $ | 1,632,114 |
| Accounts receivable | | 9,323 | | 6,785 |
| Prepaid expenses | | 23,000 | | 21,478 |
| | | 1,727,466 | | 1,660,377 |
| **CAPITAL ASSETS (Note 3)** | | 2,523,016 | | 2,559,406 |
| | **$** | **4,250,482** | **$** | **4,219,783** |
| **CURRENT LIABILITIES** | | | | |
| Accounts payable and accrued liabilities | $ | 145,669 | $ | 101,796 |
| Goods and services tax payable | | 22,260 | | 28,176 |
| Demand loan payable (Note 4) | | 1,723,044 | | 1,907,611 |
| Deferred revenue | | 649,404 | | 715,918 |
| | | 2,540,377 | | 2,753,501 |
| **LOAN PAYABLE (Note 5)** | | - | | 60,000 |
| | | 2,540,377 | | 2,813,501 |
| **NET ASSETS (Note 7)** | | | | |
| Net assets invested in capital assets | | 2,523,016 | | 2,559,403 |
| Unrestricted net deficiency | | (812,911) | | (1,153,121) |
| | | 1,710,105 | | 1,406,282 |
| | **$** | **4,250,482** | **$** | **4,219,783** |

Commitments (Note 8)

Approved on behalf of the Association:

_______________________, Director

_______________________, Director

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

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

| | 2022 | 2021 |
|---|---|---|
| **REVENUE** | | |
| Membership fees | $ 1,802,086 | $ 1,743,730 |
| Program income | 130,504 | 74,169 |
| Beach club rental | 79,050 | 18,947 |
| Interest and other | 39,224 | 19,230 |
| Government assistance (Notes 5 and 9) | 23,879 | 286,839 |
| Grant | - | 22,250 |
| | 2,074,743 | 2,165,165 |
| **EXPENSES** | | |
| Salaries and benefits | 792,884 | 791,339 |
| Administration | 181,274 | 141,527 |
| Beach club maintenance | 155,036 | 151,993 |
| Programs | 129,463 | 84,691 |
| Property tax | 112,716 | 107,580 |
| Amortization | 109,186 | 107,289 |
| Loan interest | 82,192 | 61,694 |
| Utilities | 79,579 | 77,155 |
| Repairs and maintenance | 44,537 | 49,794 |
| Professional fees | 34,110 | 30,177 |
| Security | 27,917 | 44,452 |
| Insurance | 21,788 | 17,958 |
| Advertising and promotion | 238 | 231 |
| | 1,770,920 | 1,665,880 |
| **EXCESS OF REVENUE OVER EXPENSES** | **$ 303,823** | **$ 499,285** |

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

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

| | Invested in Capital Assets | Unrestricted | 2022 | 2021 |
|---|---|---|---|---|
| **BALANCE, BEGINNING OF YEAR** | **$ 2,559,403** | **$ (1,153,121)** | **$ 1,406,282** | **$ 906,997** |
| Acquisition of capital assets | 72,799 | (72,799) | - | - |
| Excess of revenue over expenses | - | 303,823 | 303,823 | 499,285 |
| Amortization of capital assets | (109,186) | 109,186 | - | - |
| **BALANCE, END OF YEAR** | **$ 2,523,016** | **$ (812,911)** | **$ 1,710,105** | **$ 1,406,282** |

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

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

| | | 2022 | | 2021 |
|---|---|---|---|---|
| **NET INFLOW OF CASH RELATED TO:** | | | | |
| **OPERATING ACTIVITIES** | | | | |
| Excess of revenues over expenses | $ | 303,823 | $ | 499,285 |
| Items not affecting cash and cash equivalents | | | | |
| Amortization of capital assets | | 109,186 | | 107,289 |
| CEBA loan forgiveness | | (20,000) | | - |
| | | 393,009 | | 606,574 |
| Changes in non-cash working capital items | | | | |
| Accounts receivable | | (2,538) | | 35,847 |
| Prepaid expenses | | (1,522) | | (2,253) |
| Accounts payable and accrued liabilities | | 43,876 | | 35,696 |
| Goods and services tax | | (5,916) | | 3,208 |
| Deferred revenue | | (66,514) | | 39,000 |
| | | **360,394** | | **718,072** |
| **INVESTING ACTIVITIES** | | | | |
| Acquisition of capital assets | | **(72,799)** | | **(100,739)** |
| **FINANCING ACTIVITIES** | | | | |
| Repayments of demand loan payable | | (184,567) | | (480,065) |
| Advances from (repayment of) loan payable | | (40,000) | | 20,000 |
| | | **(224,567)** | | **(460,065)** |
| **NET CASH INFLOW** | | **63,029** | | **157,268** |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | | 1,632,114 | | 1,474,849 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | **$** | **1,695,143** | **$** | **1,632,114** |

**SUMMERSIDE RESIDENTS ASSOCIATION**
**Notes to the Financial Statements**
**December 31, 2022**

## 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. On August 30, 2000, a turn-over agreement was entered into with Brookfield Residential (Alberta) LP ("Brookfield Residential"). The turn-over agreement specified that on the effective date, Brookfield Residential will deliver to the Association: land titles to the private parcels, a bill of sale for all the chattels owned by Brookfield Residential and used in the operation of the private parcels and reserves, and a transfer of all the encumbrances for each property in the community. The effective date of the turn-over agreement was September 24, 2020.

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 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 or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred revenues includes membership fees that arise from receipt of payments in advance of the period in which they were earned.

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

Grants and government assistance are recognized as revenue when received or receivable, if the amount can be reasonably estimated and collection is reasonable 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.

## 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.

## 2. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are guaranteed investment certificates (GICs) totaling $nil (2021 - $500,000), all of which matured on March 22, 2022 (with interest rate of 0.50% in 2021).

**SUMMERSIDE RESIDENTS ASSOCIATION**
**Notes to the Financial Statements**
**December 31, 2021**

## 3. CAPITAL ASSETS

| | 2022 | | | 2021 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Buildings | $ 1,301,619 | $ 1,150,608 | $ 151,011 | $ 179,266 |
| Vehicles | 64,853 | 47,494 | 17,359 | 22,281 |
| Boats | 98,227 | 86,287 | 11,940 | 12,680 |
| Docks | 53,130 | 41,517 | 11,613 | 17,654 |
| Equipment | 260,948 | 173,623 | 87,325 | 94,378 |
| Office equipment | 69,751 | 63,327 | 6,424 | 10,662 |
| Maintenance equipment | 105,178 | 101,803 | 3,375 | 4,995 |
| Computer equipment | 32,204 | 25,689 | 6,515 | 3,003 |
| Park amenities | 506,215 | 293,761 | 212,454 | 199,487 |
| | 2,492,125 | 1,984,109 | 508,016 | 544,406 |
| Land | 2,015,000 | - | 2,015,000 | 2,015,000 |
| | **$ 4,507,125** | **$ 1,984,109** | **$ 2,523,016** | **$ 2,559,406** |

## 4. DEMAND LOAN

Alberta Treasury Branch ("ATB") provided the Association with a reducing credit facility with a maximum amount of $1,789,351 (2021 - $2,322,611). This loan bears interest at the ATB prime rate plus 0.53% (2021 - ATB prime rate plus 0.62%) per annum, is due on demand, and is payable in monthly blended payments of $22,230 (2021 - $22,230). 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 (2021 - $3,300,000).

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:

| | |
|---|---|
| 2023 | $ 216,916 |
| 2024 | 223,541 |
| 2025 | 230,630 |
| 2026 | 237,810 |
| 2027 | 245,215 |
| Thereafter | 568,932 |
| | **$ 1,723,044** |

## 5. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

During the prior year, the Association received a $60,000 interest free loan to assist with continued operational difficulties faced as a result of the ongoing COVID-19 pandemic. During the year, the Association repaid the $40,000 interest free loan and $20,000 was forgiven on November 25, 2022.

## 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 and government subsidies. 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, including the risk that the Association will not have sufficient funds to settle a transaction on the due date. The Association is exposed to this risk in respect of its accounts payable and accrued liabilities, goods and services tax payable, loan payable, and the demand loan.

## 7. NET ASSETS

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 $812,911 (2021 - $1,153,121) and has internally restricted the net assets invested in capital assets $2,523,016 (2021 - $2,559,403).

## 8. COMMITMENTS

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

| | |
|---|---|
| 2023 | $ 34,467 |
| 2024 | 28,409 |
| 2025 | 28,409 |
| 2026 | 25,317 |
| | **$ 116,602** |

## 9. GOVERNMENT ASSISTANCE

During the year, the Association recorded $7,283 (2021 - $212,072) in government wage subsidies, and recorded $20,000 (2021 - $nil) in loan forgiveness in government subsidies. All government subsidy contributions have been recognized into income during the year.

During the year, the Association recorded a repayment of $3,501 (2021 - received $74,767) in government rent subsidies. All government subsidy contributions have been recognized into expense (2021 - income) during the year.

During the year, the Association recorded $nil (2021 - $5,000) in other COVID-19 grants and have included it in grant revenue at year end. All government subsidy contributions have been recognized into income during the year.

## 10. CREDIT LIMIT

At December 31, 2022, the Association has a total credit card limit of $5,000 (2021 - $5,000) of which $3,672 (2021 - $1,919) has been used at year end.