

McKenzie Towne Council

Financial Statements
May 31, 2013 and 2012



September 17, 2013

Independent Auditor's Report

**To the Members of
McKenzie Towne Council**

We have audited the accompanying financial statements of McKenzie Towne Council, which comprise the balance sheets as at May 31, 2013, May 31, 2012, and June 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended at May 31, 2013 and May 31, 2012, and the related notes, which comprise 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario Limited Liability partnership.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of McKenzie Towne Council as at May 31, 2013, May 31, 2012, and June 1, 2011, and the results of its operations and its cash flows for the years ended May 31, 2013 and May 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

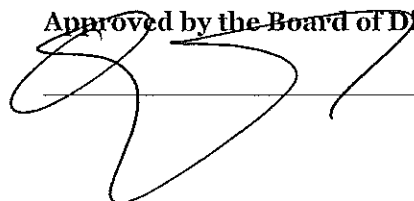
Chartered Accountants

McKenzie Towne Council

Balance Sheets

	As at May 31, 2013 \$	As at May 31, 2012 \$	As at June 1, 2011 \$
Assets			
Current assets			
Cash and cash equivalents	367	45,465	122,132
Short-term investments	155,355	159,513	-
Accounts receivable (note 4)	54,162	78,341	30,947
Prepays	21,589	16,782	14,303
	<u>231,473</u>	<u>300,101</u>	<u>167,382</u>
Capital assets (note 5)	4,222,392	4,315,409	4,346,626
Investments (note 6)	<u>211,466</u>	<u>-</u>	<u>159,513</u>
	<u>4,665,331</u>	<u>4,615,510</u>	<u>4,673,521</u>
Liabilities			
Current liabilities			
Demand revolving loan (note 7)	211,874	683,428	-
Accounts payable and accrued liabilities (note 8)	141,427	111,450	79,880
Deferred revenue	321,159	34,629	42,232
Current portion of long-term debt (note 10)	-	-	22,707
Demand loan (note 9)	-	-	825,445
	<u>674,460</u>	<u>829,507</u>	<u>970,264</u>
Long-term debt (note 10)	-	-	22,825
Deferred contributions related to capital assets (note 11)	<u>968,567</u>	<u>1,017,261</u>	<u>1,058,847</u>
	<u>1,643,027</u>	<u>1,846,768</u>	<u>2,051,936</u>
Net assets			
Internally restricted net assets invested in capital assets	3,041,951	2,614,720	2,416,802
Internally restricted (note 12)	165,966	162,712	159,513
Unrestricted	(185,613)	(8,690)	45,270
	<u>3,022,304</u>	<u>2,768,742</u>	<u>2,621,585</u>
	<u>4,665,331</u>	<u>4,615,510</u>	<u>4,673,521</u>

Approved by the Board of Directors



Director



Director

McKenzie Towne Council
Statements of Operations
For the years ended May 31, 2013 and 2012

	2013 \$	2012 \$
Revenue and other income		
Membership fees	1,362,865	1,260,821
Programming	166,390	123,476
Maintenance contracts	132,958	128,477
Facility	76,632	65,011
Amortization of deferred contributions	48,694	41,586
Interest and other	16,065	8,725
Finance charges	5,994	8,083
	<u>1,809,598</u>	<u>1,636,179</u>
Expenses		
Facility operations	545,063	491,167
Amenity maintenance	378,087	394,484
Administration	356,879	334,933
Programming	126,100	89,750
Amortization of capital assets		
Purchased capital assets	94,833	106,651
Contributed capital assets	48,694	41,586
Interest and other	4,009	26,827
Loss on disposal of capital assets	2,371	3,624
	<u>1,556,036</u>	<u>1,489,022</u>
Net income	<u>253,562</u>	<u>147,157</u>

McKenzie Towne Council
Statements of Changes in Net Assets
For the years ended May 31, 2013 and 2012

				2013
	Internally restricted net assets invested in capital assets \$	Internally restricted \$	Unrestricted \$	Total \$
Net assets – Beginning of year	2,614,720	162,712	(8,690)	2,768,742
Net income	(97,204)	-	350,766	253,562
Payment of debt on capital assets	471,554	-	(471,554)	-
Net investment in capital assets	52,881	-	(52,881)	-
Interfund transfer (note 12)	-	3,254	(3,254)	-
Net assets – End of year	3,041,951	165,966	(185,613)	3,022,304

				2012
	Internally restricted net assets invested in capital assets \$	Internally restricted \$	Unrestricted \$	Total \$
Net assets – Beginning of year	2,416,802	159,513	45,270	2,621,585
Net income	(110,275)	-	257,432	147,157
Payment of debt on capital assets	187,549	-	(187,549)	-
Net investment in capital assets	120,644	-	(120,644)	-
Interfund transfer (note 12)	-	3,199	(3,199)	-
Net assets – End of year	2,614,720	162,712	(8,690)	2,768,742

McKenzie Towne Council
Statements of Cash Flows
For the years ended May 31, 2013 and 2012

	2013 \$	2012 \$
Cash provided by (used in)		
Operating activities		
Net income	253,562	147,157
Items not affecting cash		
Amortization	143,527	148,237
Amortization of deferred contributions	(48,694)	(41,586)
Loss on disposal of capital assets	2,371	3,624
Change in non-cash working capital*	335,879	(25,906)
	<u>686,645</u>	<u>231,526</u>
Investing activities		
Purchase of capital assets	(52,881)	(120,644)
Purchase of investments	(207,308)	-
	<u>(260,189)</u>	<u>(120,644)</u>
Financing activities		
Repayment of long-term debt	-	(45,532)
Repayment of demand loan	(471,554)	(825,445)
Increase in demand revolving loan	-	683,428
	<u>(471,554)</u>	<u>(187,549)</u>
Net decrease in cash and cash equivalents	(45,098)	(76,667)
Cash and cash equivalents – Beginning of year	45,465	122,132
Cash and cash equivalents – End of year	<u>367</u>	<u>45,465</u>

*Non-cash working capital consists of accounts receivable, prepaids, accounts payable and accrued liabilities and deferred revenue.

McKenzie Towne Council

Notes to Financial Statements

May 31, 2013 and 2012

1 Purpose of the organization

McKenzie Towne Council (the "Council" or "Association") was incorporated as a not-for-profit corporation on October 11, 1995 under Section 9 of the Companies Act of the Province of Alberta, R.S.A. 1980. The operations of the Council were governed by the Restated and Consolidated McKenzie Towne Management Agreement, the ("Management Agreement") dated June 1, 2006 between the Council and Carma Developers LP ("Carma") until a Termination Agreement was exercised on November 17, 2009, thereby transferring the Amenities, operations, maintenance and management to the Council.

The Council is exempt from paying taxes under the Income Tax Act of Canada. The Council owns and operates amenities for the use of its members.

2 ASNPO transition

Effective June 1, 2012, the Council adopted Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. The Council has not utilized any transitional exemptions on the adoption of ASNPO, other than the election to recognize its non-equity investments at fair value. There were no adjustments to the balance sheet or the statements of operations, changes in net assets and cash flows.

3 Significant accounting policies

Measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. By their nature, these amounts are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Significant estimates include the recoverability of accounts receivable, accrual of liabilities, and useful lives of capital assets.

Revenue recognition

The Council uses the deferral method of accounting for contributions. Restricted contributions for capital assets are deferred and recognized as revenue in the year as the related capital assets are amortized. Membership and other fees are recognized as revenue in the year to which they relate.

McKenzie Towne Council

Notes to Financial Statements

May 31, 2013 and 2012

Deferred revenue

Deferred revenue consists of membership fees and other fees collected that relate to services that will be provided in the next fiscal period.

Financial instruments

The Council's financial instruments consist of cash and cash equivalents, accounts receivable, short and long-term investments, demand revolving loan, accounts payable and accrued liabilities, long-term debt and demand loan.

Initial measurement of financial assets and financial liabilities is at their fair value. Subsequent measurement of financial assets and financial liabilities is at amortized cost, other than short & long term investments which are reported at fair value.

The Association has assessed the relevant financial risks of its financial instruments:

a) Price risk

The investments of the Association are subject to price risk as changing interest rates impact the market value of the fixed rate investments. This risk is mitigated through investing in investments that are locked in for no longer than three years.

b) Liquidity risk

The Association has a working capital deficit due to the demand revolving loan which is payable upon demand. Should the demand revolving loan be called, the Association would be forced to liquidate its investments and sell certain capital assets in order to meet the demand revolving loan requirements.

c) Credit risk

The Association's risk exposure relates to cash and accounts receivable. Management believes that the Association's exposure to credit risk is not significant, as the cash is held with a reputable financial institution, and accounts receivable are all secured. The maximum exposure to credit risk is the carrying value of cash and accounts receivable.

d) Interest rate risk

The Association is exposed to interest rate risk on its floating rate demand revolving loan.

Capital assets

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

McKenzie Towne Council

Notes to Financial Statements

May 31, 2013 and 2012

Amortization is based on estimated useful life of the capital assets calculated on a straight-line basis as follows:

McKenzie Towne Hall	40 years
Furniture and equipment	5 years
Private park amenities	25 years
Automotive	10 years
Interim playfield	20 years
Electric sign	15 years
Traffic circle amenities	25 years
Clock	25 years
Garage	40 years

Donated goods and services

Donated goods and services are recorded as both revenue and expense when the fair market value is reasonably determinable and they would normally be purchased and paid for by the Council, if not donated.

Contributed volunteer services are not quantified and recognized in these statements.

Cash and cash equivalents

Cash and cash equivalents include investments that are highly liquid and readily convertible to known amounts of cash and are subject to insignificant risk in change in values.

Short-term investments

Short-term investments consist of highly liquid guaranteed investment certificates with terms of maturity greater than ninety days but no more than one year.

4 Accounts receivable

Accounts receivable consists of the following:

	May 31, 2013 \$	May 31, 2012 \$	June 1, 2011 \$
Membership fees collected by Activenet	-	34,273	26,423
Membership fees receivable	23,001	2,609	635
City of Calgary (maintenance contract)	31,161	29,380	-
Other	-	12,079	3,889
	<hr/>	<hr/>	<hr/>
	54,162	78,341	30,947

McKenzie Towne Council
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5 Capital assets

	2013		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,080,000	-	1,080,000
McKenzie Towne Hall	3,287,559	601,383	2,686,176
Furniture and equipment	112,378	75,707	36,671
Private park amenities	113,923	59,114	54,809
Automotive	107,907	49,662	58,245
Interim playfield	74,304	28,054	46,250
Electronic sign	207,012	100,940	106,072
Traffic circle amenities	143,526	86,116	57,410
Clock	60,917	42,844	18,073
Garage	81,224	2,538	78,686
	5,268,750	1,046,358	4,222,392
	2012		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,080,000	-	1,080,000
McKenzie Towne Hall	3,267,894	519,266	2,748,628
Furniture and equipment	104,271	64,090	40,181
Private park amenities	98,523	55,173	43,350
Automotive	107,907	38,871	69,036
Interim playfield	74,304	24,339	49,965
Electronic sign	207,012	87,139	119,873
Traffic circle amenities	143,526	80,375	63,151
Clock	60,917	40,408	20,509
Garage	81,224	508	80,716
	5,225,578	910,169	4,315,409

Land includes two sites occupied by the McKenzie Towne Hall and private 1.4 acre park.

The interim playfield was completed in 2005 on land owned by the City of Calgary. The land is designated as a future LRT site. During fiscal 2010, the land on which the interim playfield resided was taken back by the City of Calgary. All non-movable interim playfield assets were demolished or no longer had a future economic value. The remaining interim playfield assets consisting of skateboard park related items were relocated to another site.

McKenzie Towne Council

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The Council has private park amenities on land that is owned by the City of Calgary.

The traffic circle consists of landscaping and other improvements on land owned by the City of Calgary.

The clock is located in a building owned by another party.

6 Investments

Investments consist of guaranteed investments certificates (GICs) maturing beyond the current fiscal year. The GICs are cashable prior to their maturity date, subject to an interest penalty. Investments are carried at market value with unrealized gains or losses recognized directly in the statement of operations as interest income. Given the nature of the investments, market values approximate book values.

7 Demand revolving loan

The Council has access to a demand revolving loan to a maximum of \$900,000, to be reduced on its renewal date annually by \$100,000 until it reaches \$500,000. The demand revolving loan bears interest at bank prime rate plus 0.75% per annum and is payable on demand. The demand revolving loan is secured by a demand collateral land mortgage and assignment of rents over all lands and premises, assignment of all risk insurance and assignment of the community association dues from homeowners.

8 Government remittances

Payroll source deductions amounting to \$2,322 (May 31, 2012 – \$2,183, June 1, 2011 – \$1,544) are owed to the federal government at May 31, 2013 and are included in accounts payable and accrued liabilities.

Goods and Service Tax (GST) amounting to \$9,104 (May 31, 2012 – \$(2,755), June 1, 2011 – \$3,362) is owed to the federal government at May 31, 2013 and are included in accounts payable and accrued liabilities.

9 Demand loan

In 2012, there was a demand loan with HSBC Bank Canada relating to the construction of the McKenzie Towne Hall. During 2012, this loan was repaid in full, by use of the new demand revolving loan facility.

10 Long-term debt

There was no long-term debt in 2013. During 2012, the long-term debts owing to Chrysler Financial and HSBC Canada were paid in full.

McKenzie Towne Council

Notes to Financial Statements

May 31, 2013 and 2012

11 Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized balance of assets contributed to the Council by Carma. Contributions by Carma of \$1,403,010 (May 31, 2012 – \$1,403,010; June 1, 2011 – \$1,403,010) less amortization of \$434,443 (May 31, 2012 – \$385,749; June 1, 2011 – \$344,163) has been recorded to date.

12 Internally restricted

The Board of Directors have internally restricted amounts to establish a reserve fund to offset the future costs of significant capital asset additions, replacements or repairs. During the year, the Board of Directors internally restricted an additional \$3,254 (May 31, 2012 – \$3,199; June 1, 2011 – \$3,139) for this reserve fund.

13 Commitments

The Council is obligated under operating leases for office equipment and a service agreement to make minimum payments over the next four years of approximately:

	\$
2014	39,509
2015	36,220
2016	36,467
2017	36,584