

McKenzie Towne Council

Financial Statements

May 31, 2016



September 20, 2016

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 statement of financial position as at May 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, 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, 2016 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

McKenzie Towne Council

Statement of Financial Position

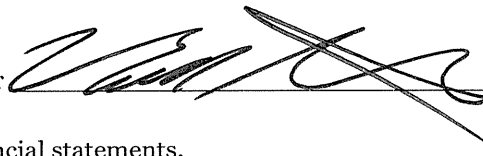
As at May 31, 2016

	2016 \$	2015 \$
Assets		
Current assets		
Cash	984,312	539,631
Short-term investments	211,466	211,466
Accounts receivable (note 3)	96,111	28,347
Prepays	15,788	30,334
	<u>1,307,677</u>	<u>809,778</u>
Capital assets (note 4)	<u>4,041,459</u>	<u>4,079,315</u>
	<u>5,349,136</u>	<u>4,889,093</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	181,780	144,727
Deferred revenue	652,521	413,066
	<u>834,301</u>	<u>557,793</u>
Deferred contributions (note 8)	<u>822,488</u>	<u>871,181</u>
	<u>1,656,789</u>	<u>1,428,974</u>
Net assets		
Internally restricted net assets invested in capital assets	3,218,971	3,208,134
Internally restricted (note 9)	473,376	251,985
	<u>3,692,347</u>	<u>3,460,119</u>
	<u>5,349,136</u>	<u>4,889,093</u>

Approved by the Board of Directors


R.M. Van der West
PRESIDENT

Director



Director

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

McKenzie Towne Council

Statement of Operations

For the year ended May 31, 2016

	2016 \$	2015 \$
Revenue and other income		
Membership fees	1,488,237	1,466,188
Programming	151,024	171,104
Maintenance contracts	143,780	138,737
Facility	72,698	77,360
Amortization of deferred contributions (note 8)	48,693	48,693
Interest and other	31,404	24,845
Finance charges	5,755	6,411
	<hr/> 1,941,591	<hr/> 1,933,338
Expenses		
Facility operations	536,532	560,004
Amenity maintenance	541,703	480,672
Administration	348,544	378,001
Programming	135,382	147,684
Amortization of capital assets	147,202	146,148
Interest and other	-	167
	<hr/> 1,709,363	<hr/> 1,712,676
Net income	<hr/> 232,228	<hr/> 220,662

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

McKenzie Towne Council
Statement of Changes in Net Assets
For the year ended May 31, 2016

				2016	2015
	Internally restricted net assets invested in capital assets \$	Internally restricted \$	Unrestricted \$	Total \$	Total \$
Net assets – Beginning of year	3,208,134	251,985	-	3,460,119	3,239,457
Net income	(98,509)	4,055	326,682	232,228	220,662
Purchase of capital assets	109,346	-	(109,346)	-	-
Interfund transfer (note 9)	-	217,336	(217,336)	-	-
Net assets – End of year	3,218,971	473,376	-	3,692,347	3,460,119

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

McKenzie Towne Council

Statement of Cash Flows

For the year ended May 31, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Net income	232,228	220,661
Items not affecting cash		
Amortization of capital assets	147,202	146,148
Amortization of deferred contributions	(48,693)	(48,693)
Change in non-cash working capital	223,290	135,148
	<hr/> 554,027	<hr/> 453,264
Investing activities		
Purchase of capital assets	(109,346)	(95,930)
Proceeds on sale of investments	-	155,355
	<hr/> (109,346)	<hr/> 59,425
Financing activities		
Repayment on demand revolving loan	-	(264,161)
	<hr/> -	<hr/> (264,161)
Net increase in cash	444,681	248,528
Cash – Beginning of year	<hr/> 539,631	<hr/> 291,103
Cash – End of year	<hr/> 984,312	<hr/> 539,631

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

McKenzie Towne Council

Notes to Financial Statements

May 31, 2016

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 Significant accounting policies

Basis of accounting

The financial statements of the Council have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) as issued by the Canadian Accounting Standards Board and include the following policies:

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 to.

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.

Cash

Cash includes cash held at financial institutions and on hand.

Investments

Short-term

Short-term investments consist of guaranteed investment certificates (“GICs”) with terms of maturity greater than ninety days but no more than one year.

Long-term

Long-term investments consist of GICs with terms of maturity beyond the current fiscal year.

McKenzie Towne Council

Notes to Financial Statements

May 31, 2016

Capital assets

Capital assets purchased are recorded at cost. Capital assets contributed are recorded at fair value on the date of contribution determined by reference to cost for similar assets.

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

Financial instruments

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

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.

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.

Volunteers contribute a significant number of hours per year to assist the Council in carrying out its activities. Because of the difficulty of determining their value, contributed services are not recognized in the financial statements.

Measurement uncertainty

The preparation of financial statements in accordance with ASNPO 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.

McKenzie Towne Council

Notes to Financial Statements

May 31, 2016

3 Accounts receivable

Accounts receivable consists of the following:

	2016 \$	2015 \$
Membership fees receivable	14,019	10,941
Facility rental receivable	31,675	11,238
Maintenance grant receivable	33,058	-
Other	17,359	6,168
	<hr/> 96,111	<hr/> 28,347

4 Capital assets

			2016	2015
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	1,080,000	-	1,080,000	1,080,000
McKenzie Towne Hall	3,413,390	852,257	2,561,133	2,616,380
Furniture and equipment	171,239	139,747	31,492	49,535
Private park amenities	145,263	73,725	71,538	45,695
Automotive	107,907	82,034	25,873	36,663
Interim playfield	74,304	39,200	35,104	38,819
Electric sign	207,012	142,342	64,670	78,471
Traffic circle amenities	153,563	103,339	50,224	45,928
Clock	60,917	50,155	10,762	13,199
Garage	81,224	8,630	72,594	74,625
Construction in progress	38,069	-	38,069	-
	<hr/> 5,532,888	<hr/> 1,491,429	<hr/> 4,041,459	<hr/> 4,079,315

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

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 a third party.

McKenzie Towne Council

Notes to Financial Statements

May 31, 2016

5 Demand revolving loan

The Council had access to a demand revolving loan to a maximum of \$1,000,000. The demand revolving loan bears interest at prime plus 0.65% per annum and is payable on demand. The demand revolving loan is secured by an on demand collateral land mortgage and assignment of rents over all lands and premises, assignment of all risk insurance and assignment of the annual dues from homeowners.

6 Financial instruments

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

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 with various terms of maturity.

Credit risk

The Association's risk exposure relates to accounts receivable. Management believes that the Association's exposure to credit risk is not significant, and accounts receivable are secured against the land title of the member's dwelling. The maximum exposure to credit risk is the carrying value of cash and accounts receivable.

Interest rate risk

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

7 Government remittances

Payroll source deductions amounting to \$2,652 (2015 – \$2,688) are owed to the federal government at May 31, 2016 and are included in accounts payable and accrued liabilities.

Goods and Service Tax (GST) amounting to \$25,175 (2015 – \$8,996) is owed to the federal government at May 31, 2016 and are included in accounts payable and accrued liabilities.

McKenzie Towne Council

Notes to Financial Statements

May 31, 2016

8 Deferred contributions

Deferred contributions are related to capital assets which represent the unamortized balance of assets contributed to the Council by Carma.

	2016 \$	2015 \$
Opening balance	871,181	919,874
Amortization of contributions	(48,693)	(48,693)
Ending balance	<u>822,488</u>	<u>871,181</u>

9 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.