

McKenzie Towne Council

Financial Statements
May 31, 2014



October 7, 2014

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 sheet as at May 31, 2014 and the statements of operations, changes in net assets and cash flows for the year ended 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.

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, 2014, 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 Accountants

PricewaterhouseCoopers LLP
111 5 Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825



MCKENZIE TOWNE COUNCIL

I, MALIK AMERY, TREASURER/DIRECTOR
(Name) (Title)

Certify the following to be a true copy of the Audited
Financial Statement and Auditor's Report.

Dated the 7 day of OCTOBER, 2014

MCKENZIE TOWNE COUNCIL

Per: 

(Treasurer/Director)

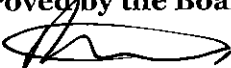
McKenzie Towne Council

Balance Sheet

As at May 31, 2014

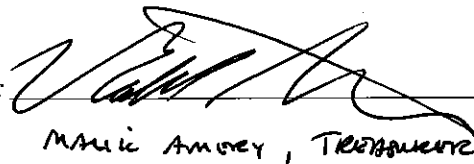
	2014 \$	2013 \$
Assets		
Current assets		
Cash and cash equivalents	291,103	367
Short-term investments	155,355	155,355
Accounts receivable (note 3)	28,084	54,162
Prepays	14,206	21,589
	<u>488,748</u>	<u>231,473</u>
Capital assets (note 4)	4,129,533	4,222,392
Investments (note 5)	<u>211,466</u>	<u>211,466</u>
	<u>4,829,747</u>	<u>4,665,331</u>
Liabilities		
Current liabilities		
Demand revolving loan (note 6)	264,161	211,874
Accounts payable and accrued liabilities (note 7)	155,012	141,427
Deferred revenue	251,243	321,159
	<u>670,416</u>	<u>674,460</u>
Deferred contributions related to capital assets (note 8)	<u>919,874</u>	<u>968,567</u>
	<u>1,590,290</u>	<u>1,643,027</u>
Net assets		
Internally restricted net assets invested in capital assets	2,945,498	3,041,951
Internally restricted (note 9)	214,321	165,966
Unrestricted	79,638	(185,613)
	<u>3,239,457</u>	<u>3,022,304</u>
	<u>4,829,747</u>	<u>4,665,331</u>

Approved by the Board of Directors



RYAN VOLLMAR, PRESIDENT

Director



Director

Marie Amorey, TREASURER

McKenzie Towne Council

Statement of Operations

For the year ended May 31, 2014

	2014 \$	2013 \$
Revenue and other income		
Membership fees	1,404,724	1,362,865
Programming	192,781	166,390
Maintenance contracts	135,315	132,958
Facility	70,761	76,632
Amortization of deferred contributions	48,693	48,694
Interest and other	24,286	16,065
Finance charges	3,429	5,994
	<hr/> 1,879,989	<hr/> 1,809,598
Expenses		
Facility operations	582,926	545,063
Amenity maintenance	426,670	378,087
Administration	341,377	356,879
Programming	167,089	126,100
Amortization of capital assets		
Purchased capital assets	103,027	94,833
Contributed capital assets	48,693	48,694
Interest and other	2,054	4,009
(Gain) loss on disposal of capital assets	(9,000)	2,371
	<hr/> 1,662,836	<hr/> 1,556,036
Net income	<hr/> 217,153	<hr/> 253,562

McKenzie Towne Council
Statement of Changes in Net Assets
For the year ended May 31, 2014

	2014			
	Internally restricted net assets invested in capital assets \$	Internally restricted \$	Unrestricted \$	Total \$
Net assets – Beginning of year	3,041,951	165,966	(185,613)	3,022,304
Net income	(103,027)	-	320,180	217,153
Increase of debt on capital assets	(52,287)	-	52,287	-
Net investment in capital assets	58,861	-	(58,861)	-
Interfund transfer (note 9)	-	48,355	(48,355)	-
Net assets – End of year	2,945,498	214,321	79,638	3,239,457

	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 9)	-	3,254	(3,254)	-
Net assets – End of year	3,041,951	165,966	(185,613)	3,022,304

McKenzie Towne Council

Statement of Cash Flows

For the year ended May 31, 2014

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Net income	217,153	253,562
Items not affecting cash		
Amortization	151,720	143,527
Amortization of deferred contributions	(48,693)	(48,694)
(Gain) loss on disposal of capital assets	(9,000)	2,371
Change in non-cash working capital*	(22,870)	335,879
	<u>288,310</u>	<u>686,645</u>
Investing activities		
Purchase of capital assets	(58,861)	(52,881)
Purchase of investments	-	(207,308)
Proceeds on disposal of capital assets	9,000	-
	<u>(49,861)</u>	<u>(260,189)</u>
Financing activities		
Repayment of demand loan	-	(471,554)
Increase in demand revolving loan	52,287	-
	<u>52,287</u>	<u>(471,554)</u>
Net increase (decrease) in cash and cash equivalents	290,736	(45,098)
Cash and cash equivalents – Beginning of year	367	45,465
Cash and cash equivalents – End of year	<u>291,103</u>	<u>367</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, 2014

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

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.

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 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.

McKenzie Towne Council

Notes to Financial Statements

May 31, 2014

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.

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

McKenzie Towne Council

Notes to Financial Statements

May 31, 2014

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.

3 Accounts receivable

Accounts receivable consists of the following:

	2014	2013
	\$	\$
Membership fees receivable	17,004	23,001
City of Calgary (maintenance contract)	-	31,161
Other	11,080	-
	<hr/>	<hr/>
	28,084	54,162
	<hr/>	<hr/>

McKenzie Towne Council

Notes to Financial Statements

May 31, 2014

4 Capital assets

	2014		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Land	1,080,000	-	1,080,000
McKenzie Towne Hall	3,287,559	683,500	2,604,059
Furniture and equipment	162,239	93,238	69,001
Private park amenities	113,923	63,670	50,253
Automotive	107,907	60,453	47,454
Interim playfield	74,304	31,769	42,535
Electronic sign	207,012	114,741	92,271
Traffic circle amenities	143,526	91,857	51,669
Clock	60,917	45,281	15,636
Garage	81,224	4,569	76,655
	5,318,611	1,189,078	4,129,533

	2013		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
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

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.

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

McKenzie Towne Council

Notes to Financial Statements

May 31, 2014

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.

5 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.

6 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.

7 Government remittances

Payroll source deductions amounting to \$nil (May 31, 2013 – \$2,322) are owed to the federal government at May 31, 2014 and are included in accounts payable and accrued liabilities.

Goods and Service Tax (GST) amounting to \$3,271 (May 31, 2013 – \$9,104) is owed to the federal government at May 31, 2014 and are included in accounts payable and accrued liabilities.

8 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, 2013 – \$1,403,010) less amortization of \$483,136 (May 31, 2013 – \$434,443) has been recorded to date.

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. During the year, the Board of Directors internally restricted an additional \$48,355 (May 31, 2013 – \$3,254) for this reserve fund.

McKenzie Towne Council

Notes to Financial Statements

May 31, 2014

10 Commitments

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

	\$
2015	40,386
2016	40,638
2017	39,289
2018	3,456
2019	3,456