

MCKENZIE TOWNE COUNCIL
Statement of Financial Position
As at May 31

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$ 6,035	\$ 150,962
Accounts receivable	32,681	14,048
Goods and services tax receivable	8,715	-
Prepaid expenses and deposits	12,836	33,693
Short-term investment (Note 3)	597,414	131,892
	<u>657,681</u>	<u>330,595</u>
CAPITAL ASSETS (Note 2)	5,320,697	5,476,879
LONG-TERM INVESTMENTS (Note 3)	<u>-</u>	<u>454,309</u>
	<u>\$ 5,978,378</u>	<u>\$ 6,261,783</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 99,542	\$ 101,866
Goods and services tax payable	-	15,053
Deferred revenue	16,932	490,435
Demand loan (Note 6)	14,551	96,555
	<u>131,025</u>	<u>703,909</u>
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 4)	<u>953,894</u>	<u>1,012,539</u>
	1,084,919	1,716,448
NET ASSETS INVESTED IN CAPITAL ASSETS	4,352,252	4,367,785
INTERNALLY RESTRICTED RESERVE FUND	596,493	467,690
UNRESTRICTED NET DEFICIENCY	<u>(55,286)</u>	<u>(290,140)</u>
	<u>\$ 5,978,378</u>	<u>\$ 6,261,783</u>

Commitments (Note 5)

Approved on behalf of the Association:

 Director

 Director

MCKENZIE TOWNE COUNCIL
Statement of Operations
For the year ended May 31

	<u>2020</u>	<u>2019</u>
REVENUES		
Membership fees	\$ 1,478,821	\$ 1,479,965
Programming	164,675	159,398
Maintenance contracts	149,973	145,174
Facility rental	106,431	145,782
Federal wage subsidy	76,284	-
Amortization of deferred contributions (Note 4)	58,645	58,645
Interest and other	25,496	18,828
Grants	24,482	27,190
Finance charges	7,591	7,897
	<u>2,092,398</u>	<u>2,042,879</u>
EXPENSES		
Salaries and wages	841,485	871,492
Amenity maintenance	385,639	376,843
Amortization of capital assets		
Purchased	147,656	147,612
Contributed (Note 4)	58,645	58,645
Administration	176,995	199,399
Programming	127,434	159,195
Facility operations	6,420	9,250
	<u>1,744,274</u>	<u>1,822,436</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING ITEM	348,124	220,443
GAIN ON DISPOSAL OF CAPITAL ASSETS	-	6,724
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 348,124</u>	<u>\$ 227,167</u>

MCKENZIE TOWNE COUNCIL
Statement of Changes in Net Assets
For the year ended May 31

	Investment in Capital Assets	Internally Restricted	Unrestricted	2020	2019
Net assets, beginning of year	\$ 4,367,785	\$ 467,690	\$ (290,140)	\$ 4,545,335	\$ 4,318,168
Excess of revenues over expenses	(147,655)	14,203	481,576	348,124	227,167
Investment in property and equipment	50,119	-	(50,119)	-	-
Life cycle study costs	-	(5,400)	5,400	-	-
Debt repayments for capital assets	82,003	-	(82,003)	-	-
Transfer from unrestricted assets	-	120,000	(120,000)	-	-
Net assets, end of year	\$ 4,352,252	\$ 596,493	\$ (55,286)	\$ 4,893,459	\$ 4,545,335

MCKENZIE TOWNE COUNCIL
Statement of Cash Flows
For the year ended May 31

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 348,124	\$ 227,167
Items not affecting cash:		
Amortization of capital assets		
Purchased	147,656	147,612
Contributed	58,645	58,645
Amortization of deferred contributions	(58,645)	(58,645)
Accrued interest receivable	(11,213)	(11,879)
Gain on disposal of capital asset	-	(6,724)
Change in non-cash working capital		
Accounts receivable	(18,633)	7,967
Goods and services tax	(23,768)	19,204
Prepaid expenses and deposits	20,857	(9,082)
Accounts payable and accrued liabilities	(2,324)	(61,219)
Deferred revenue	(473,503)	433,573
	<u>(12,804)</u>	<u>746,619</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of investments	(130,000)	(274,321)
Acquisition of capital assets	(50,119)	(282,567)
Sale of investments	130,000	141,214
Proceeds on disposal of capital asset	-	9,300
	<u>(50,119)</u>	<u>(406,374)</u>
CASH FLOW FROM (USED IN) FINANCING ACTIVITY		
Repayment of demand loan	(82,004)	(196,036)
INCREASE (DECREASE) IN CASH DURING YEAR	(144,927)	144,209
CASH, BEGINNING OF YEAR	<u>150,962</u>	<u>6,753</u>
CASH, END OF YEAR	<u>\$ 6,035</u>	<u>\$ 150,962</u>

MCKENZIE TOWNE COUNCIL
Notes to the Financial Statements
May 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

a) Purpose

The McKenzie Towne Council (the "Council") was incorporated as a not-for-profit organization on October 11, 1995 under Section 9 of the Companies Act of the Province of Alberta, R.S.A. 1980. As such, the Council is exempt from income tax under the Income Tax Act. The Council owns and operates amenities for the use of its members, the residents of McKenzie Towne Council.

b) 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").

c) Revenue recognition

The Council 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 assets which are not subject to amortization are recorded as a direct increase to net assets.

Membership, program, maintenance, and rental are recognized as revenue in the year to which they relate. Interest and investment income is also recognized in the year to which it relates. 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 if the amount can be reasonably estimated and collection is reasonably assured. Deferred revenue consists of membership and other fees collected that relate to the next fiscal year.

d) 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.

e) Capital assets

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

Amortization is based on estimated useful life and 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
Splash park	25 years

Land is not subject to amortization.

f) Internally restricted net assets

The Council has internally restricted amounts to establish a reserve fund to offset the future costs of significant capital asset additions, replacements or repairs. During the year an additional \$120,000 (2019 - \$100,000) was restricted by the Council for the reserve fund. The

MCKENZIE TOWNE COUNCIL
Notes to the Financial Statements
May 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

g) Cash

Cash includes cash held at financial institutions and cash on hand.

h) Investments

Short-term investments consist of guaranteed investment certificates ("GICs") with terms of maturity greater than 90 days, but no more than one year, from the balance sheet date. Long-term investments consist of GICs with terms of maturity more than one year from the balance sheet date. The Council recognized interest revenue as earned.

i) Impairment of long-lived assets

Capital assets are tested for impairment where impairment indicators are present. This would occur if an item no longer contributes to the Council'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.

j) Financial instruments

The Council's financial instruments consist of cash, accounts receivable, short-term investments, accounts payable and accrued liabilities. All financial instruments are initially measured at fair value and subsequently measured at amortized cost, except for equities quoted on an active market which are required to be measured at fair value, and financial instruments which are designated at fair value.

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. CAPITAL ASSETS

			2020		2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value		
McKenzie Towne Hall	\$ 3,467,657	\$ 1,196,467	\$ 2,271,190	\$ 2,347,819		
Furniture and equipment	179,829	154,064	25,765	27,779		
Private park amenities	153,313	97,047	56,266	54,107		
Automotive	144,444	92,729	51,715	58,180		
Interim playfield	74,304	54,061	20,243	23,958		
Electric sign	239,404	191,335	48,069	54,402		
Traffic circle amenities	153,563	127,909	25,654	31,796		
Clock	80,377	59,901	20,476	3,452		
Garage	81,224	16,752	64,472	66,502		
Splash park	1,800,921	144,074	1,656,847	1,728,884		
	6,375,036	2,134,339	4,240,697	4,396,879		
Land	1,080,000	-	1,080,000	1,080,000		
	\$ 7,455,036	\$ 2,134,339	\$ 5,320,697	\$ 5,476,879		

Land includes two sites occupied by the McKenzie Towne Hall and a private 1.4 acre park. The private park amenities are 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 the Financial Statements
May 31, 2020

3. INVESTMENTS

The Council holds three (2019 - three) GICs with ATB Financial. The GICs are non-redeemable and bear interest at 2.10% maturing October 12, 2020, 2.63% maturing March 12, 2021, and 2.39% maturing April 22, 2021 respectively (2019 - 2.30% maturing October 12, 2019, 2.63% maturing March 12, 2021, and 2.39% maturing April 22, 2021). These investments have been classified as short-term or long-term based on their maturity dates. Included in the investment amounts is \$23,093 (2019 - \$11,880) of accrued interest.

	2020	2019
Short-term investments	\$ 597,414	\$ 131,892
Long-term investments	-	454,309
	<u>\$ 597,414</u>	<u>\$ 586,201</u>

4. DEFERRED CONTRIBUTIONS

Deferred contributions relate to capital assets contributed to the Council by Brookfield Residential ("Brookfield") and restricted government grants.

Contributions from Brookfield amount to \$1,403,010 (2019 - \$1,403,010) less accumulated amortization of \$761,917 (2019 - \$716,871). The land contributed by Brookfield in 2005 is not subject to amortization and therefore was recorded as a direct increase to net assets. Contributions related to a government grant amount to \$340,000 (2019 - \$340,000) less accumulated amortization of \$27,199 (2019 - \$13,600). The grant is recognized as revenue on the same basis as the amortization recognized on the related capital assets purchased with the grant funding.

5. COMMITMENTS

The Council has a commitment for a photocopier and a postal premise lease requiring minimum annual payments over the next three years as follows:

2021	\$ 9,450
2022	7,824
2023	788
	<u>\$ 18,062</u>

6. DEMAND LOAN

The Council has access to a demand revolving loan to a maximum of \$1,000,000 (2019 - \$1,000,000). The demand revolving loan bears interest at prime rate plus 0.73% per annum (2019 - prime rate plus 0.65% per annum) and is payable on demand. As at year-end the Council had drawn \$14,551 (2019 - \$96,555) on the demand revolving loan.

The Council also has access to a business MasterCard to a maximum of \$20,000 (2019 - \$20,000). The MasterCard bears interest at a fixed rate of 18.90% per annum (2019 - 18.90% per annum) and is payable on demand. As at year-end the Council had drawn \$2,525 (2019 - \$3,157) on the MasterCard, which is included in accounts payable and accrued liabilities.

The demand revolving loan and MasterCard are 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.

7. FINANCIAL INSTRUMENTS

The Council, 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. The Council manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. Other than noted below, there have been no change in the risk exposure since last year. The risks and related management strategies are discussed below:

a) Interest rate risk

The Council is exposed to interest rate risk to the extent that changes in market interest rates impact its investment income from its investments. The Council is also exposed to interest rate risk on its floating rate demand loan, whereby the cash flows required to service the demand loan will fluctuate with changes in market rates. The risk is reduced to a minimum since the Council mitigates this risk by investing in multiple GICs which guarantee the return on investment due to fixed interest rates and maturity dates.

7. FINANCIAL INSTRUMENTS, CONTINUED

b) Credit risk

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

The Council'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 Council 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 credit risk on cash is limited because the counterparty is a major Canadian financial institution.

c) Liquidity Risk

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

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

8. COVID-19

In March 2020, 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. Specific impacts to Council relate to cancelled programs, and rentals of facilities. The duration and impact of the COVID-19 outbreak is unknown at this time, however, the Council has reopened select programs starting in July 2020.

Due to the COVID-19 pandemic, in March 2020 the Board of Directors made the decision to cancel all programs up to July 1, 2020 for which payment had been received. Amounts related to cancelled programs and rentals were refunded, or applied to customer accounts. Customer credits total \$8,577 as at May 31, 2020.

During the year the Council applied for the Canada Emergency Wage Subsidy and received \$76,284 related to the 2020 fiscal year which has been recorded as Federal wage subsidy revenue at May 31, 2020.