

McKenzie Towne Council

Financial Statements

May 31, 2015



September 15, 2015

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, 2015 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.

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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, 2015, 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

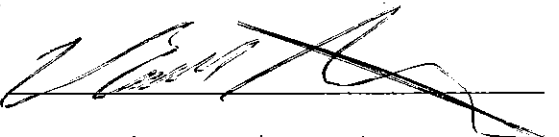


I, MALIK AMERY, TREASURER/DIRECTOR
(Name) (Title)

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

Dated the 15 day of September, 2015

MCKENZIE TOWNE COUNCIL

Per: 
(Treasurer/Director)


McKenzie Towne Council

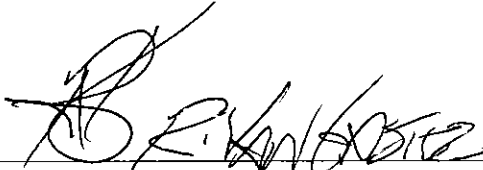
Statement of Financial Position

As at May 31, 2015

	2015 \$	2014 \$
Assets		
Current assets		
Cash	539,631	291,103
Short-term investments	211,466	155,355
Accounts receivable (note 3)	28,347	28,084
Prepays	30,334	14,206
	<u>809,778</u>	<u>488,748</u>
Capital assets (note 4)	4,079,315	4,129,533
Investments	<u>-</u>	<u>211,466</u>
	<u>4,889,093</u>	<u>4,829,747</u>
Liabilities		
Current liabilities		
Demand revolving loan (note 5)	-	264,161
Accounts payable and accrued liabilities (note 7)	144,727	155,012
Deferred revenue	413,066	251,243
	<u>557,793</u>	<u>670,416</u>
Deferred contributions (note 8)	<u>871,181</u>	<u>919,874</u>
	<u>1,428,974</u>	<u>1,590,290</u>
Net assets		
Internally restricted net assets invested in capital assets	3,208,134	2,945,498
Internally restricted (note 9)	251,985	214,321
Unrestricted	<u>-</u>	<u>79,638</u>
	<u>3,460,119</u>	<u>3,239,457</u>
	<u>4,889,093</u>	<u>4,829,747</u>

Approved by the Board of Directors

 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, 2015

	2015	2014
	\$	\$
Revenue and other income		
Membership fees	1,466,188	1,404,724
Programming	171,104	192,781
Maintenance contracts	138,737	135,315
Facility	77,360	70,761
Amortization of deferred contributions (note 8)	48,693	48,693
Interest and other	24,845	24,286
Finance charges	6,411	3,429
	<u>1,933,338</u>	<u>1,879,989</u>
Expenses		
Facility operations	560,004	582,926
Amenity maintenance	480,672	426,670
Administration	378,001	341,377
Programming	147,684	167,089
Amortization of capital assets	146,148	151,720
Interest and other	167	2,054
Gain on disposal of capital assets	-	(9,000)
	<u>1,712,676</u>	<u>1,662,836</u>
Net income	<u>220,662</u>	<u>217,153</u>

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, 2015

				2015	2014
	Internally restricted net assets invested in capital assets \$	Internally restricted \$	Unrestricted \$	Total \$	Total \$
Net assets – Beginning of year	2,945,498	214,321	79,638	3,239,457	3,022,304
Net income	(97,455)	-	318,117	220,662	217,153
Payment of debt on capital assets	264,161	-	(264,161)	-	-
Purchase of capital assets	95,930	-	(95,930)	-	-
Interfund transfer (note 9)	-	37,664	(37,664)	-	-
Net assets – End of year	3,208,134	251,985	-	3,460,119	3,239,457

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

McKenzie Towne Council

Statement of Cash Flows

For the year ended May 31, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Net income	220,661	217,153
Items not affecting cash		
Amortization	146,148	151,720
Amortization of deferred contributions	(48,693)	(48,693)
Gain on disposal of capital assets	-	(9,000)
Change in non-cash working capital	135,148	(22,870)
	<u>453,264</u>	<u>288,310</u>
Investing activities		
Purchase of capital assets	(95,930)	(58,861)
Proceeds on sale of investments	155,355	-
Proceeds on disposal of capital assets	-	9,000
	<u>59,425</u>	<u>(49,861)</u>
Financing activities		
Cash received from demand revolving loan	-	52,287
Repayment on demand revolving loan	(264,161)	-
	<u>(264,161)</u>	<u>52,287</u>
Net increase in cash	248,528	290,736
Cash – Beginning of year	291,103	367
Cash – End of year	<u>539,631</u>	<u>291,103</u>

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

McKenzie Towne Council

Notes to Financial Statements

May 31, 2015

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:

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.

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.

McKenzie Towne Council

Notes to Financial Statements

May 31, 2015

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.

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.

Comparative figures

Certain of the prior year figures have been reclassified to conform to the current year's presentation.

McKenzie Towne Council

Notes to Financial Statements

May 31, 2015

3 Accounts receivable

Accounts receivable consists of the following:

	2015 \$	2014 \$
Membership fees receivable	10,941	17,004
Facility rental receivable	11,238	8,224
Other	6,168	2,856
	<u>28,347</u>	<u>28,084</u>

4 Capital assets

	2015		2014	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	1,080,000	-	1,080,000	1,080,000
McKenzie Towne Hall	3,383,489	767,109	2,616,380	2,604,059
Furniture and equipment	171,239	121,704	49,535	69,001
Private park amenities	113,923	68,228	45,695	50,253
Automotive	107,907	71,244	36,663	47,454
Interim playfield	74,304	35,485	38,819	42,535
Electric sign	207,012	128,541	78,471	92,271
Traffic circle amenities	143,526	97,598	45,928	51,669
Clock	60,917	47,718	13,199	15,636
Garage	81,224	6,599	74,625	76,655
	<u>5,423,541</u>	<u>1,344,226</u>	<u>4,079,315</u>	<u>4,129,533</u>

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 another party.

5 Demand revolving loan

The Council had 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 maximum limit that the demand revolving loan had as at May 31, 2015 is \$600,000 (2014 – \$700,000). The demand revolving loan bears interest at prime plus 0.75% 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.

McKenzie Towne Council

Notes to Financial Statements

May 31, 2015

6 Financial instruments

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 with various terms of maturity.

b) 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.

c) Interest rate risk

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

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.

7 Government remittances

Payroll source deductions amounting to \$2,688 (2014 – \$2,442) are owed to the federal government at May 31, 2015 and are included in accounts payable and accrued liabilities.

Goods and Service Tax (GST) amounting to \$8,996 (2014 – \$3,271) is owed to the federal government at May 31, 2015 and are included in accounts payable and accrued liabilities.

McKenzie Towne Council

Notes to Financial Statements

May 31, 2015

8 Deferred contributions

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

	2015	2014
	\$	\$
Opening balance	919,874	968,567
Amortization of contributions	<u>(48,693)</u>	<u>(48,693)</u>
Ending balance	<u>871,181</u>	<u>919,874</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. During the year, the Board of Directors internally restricted an additional \$302,271 (2014 – \$48,355) for which \$37,664 (2014 – \$48,355) was funded for this reserve fund.