

Lake Bonavista Homeowners Association
Financial Statements
March 31, 2020

Management's Responsibility

To the Members of Lake Bonavista Homeowners Association:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Association. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Association's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

September 15, 2020



Mike Mikkelsen President

To the Members of Lake Bonavista Homeowners Association:

Opinion

We have audited the financial statements of Lake Bonavista Homeowners Association (the "Association"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Alberta

September 15, 2020

MNP LLP

Chartered Professional Accountants

MNP

Lake Bonavista Homeowners Association
Statement of Financial Position

As at March 31, 2020

	2020	2019
Assets		
Current		
Cash	386,233	427,552
Short-term investments (Note 3)	547,348	620,113
Accounts receivable (Note 4)	23,529	13,805
Goods and Services Tax receivable	2,216	2,335
Prepaid expenses	17,736	11,607
	977,062	1,075,412
Property and equipment (Note 5)	3,453,061	2,972,621
Non-current accounts receivable (Note 6)	13,870	12,890
	4,443,993	4,060,923
Liabilities		
Current		
Accounts payable and accruals (Note 7)	112,169	41,708
Deferred revenue	251,832	239,840
	364,001	281,548
Deferred contributions related to property and equipment (Note 8)	117,500	120,000
	481,501	401,548
Net Assets		
Invested in property and equipment	3,335,561	2,852,621
Unrestricted	626,931	806,754
	3,962,492	3,659,375
	4,443,993	4,060,923

Approved on behalf of the Board



Director

The accompanying notes are an integral part of these financial statements

Lake Bonavista Homeowners Association

Statement of Operations

For the year ended March 31, 2020

	2020	2019
Revenue		
Membership fees	998,628	961,995
Interest and other income	22,572	13,452
Rental income	14,990	17,713
Amortization of deferred contributions related to property and equipment (Note 8)	2,500	2,500
	1,038,690	995,660
Expenses		
Salaries, wages and benefits	354,271	336,795
Amortization	152,224	132,326
Security	133,017	140,026
Utilities	76,057	62,748
Park maintenance	54,727	70,150
Office	27,807	19,196
Insurance	18,574	18,167
Fish stock	16,278	19,675
Repairs and maintenance	15,308	22,229
Professional fees	8,811	8,971
Water purchased	6,244	23,939
Park events (recovery)	(415)	9,060
	862,903	863,282
Excess of revenue over expenses before other items	175,787	132,378
Other items		
Insurance recovery (Note 11)	127,330	-
Excess of revenue over expenses	303,117	132,378

The accompanying notes are an integral part of these financial statements

Lake Bonavista Homeowners Association
Statement of Changes in Net Assets
For the year ended March 31, 2020

	<i>Invested in property and equipment</i>	<i>Unrestricted</i>	2020	2019
Balance, beginning of year	2,852,621	806,754	3,659,375	3,526,997
Purchase of property and equipment, net of proceeds on disposition	508,559	(508,559)	-	-
Excess (deficiency) of revenue over expenses	(25,619)	328,736	303,117	132,378
Net assets, end of year	3,335,561	626,931	3,962,492	3,659,375

The accompanying notes are an integral part of these financial statements

Lake Bonavista Homeowners Association

Statement of Cash Flows

For the year ended March 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Cash receipts from members	1,017,431	989,219
Interest and other income received	20,047	13,452
Cash paid to suppliers and employees	(643,003)	(626,692)
	394,475	375,979
Investing		
Purchase of short-term investments	(108,317)	(21,446)
Proceeds on disposal of short-term investments	181,082	-
Purchase of property and equipment	(632,664)	(45,994)
Proceeds on disposal of property and equipment	124,105	-
	(435,794)	(67,440)
(Decrease) increase in cash resources	(41,319)	308,539
Cash resources, beginning of year	427,552	119,013
Cash resources, end of year	386,233	427,552

The accompanying notes are an integral part of these financial statements

Lake Bonavista Homeowners Association

Notes to the Financial Statements

For the year ended March 31, 2020

1. Incorporation and operations

Lake Bonavista Homeowners Association (the "Association") exists to provide recreation facilities to the community of Lake Bonavista. The Association is a not-for-profit organization and is exempt from income taxes under Section 149(1)(l) of the Income Tax Act.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by Accounting Standards Board in Canada and include the following significant accounting policies:

Cash

Cash includes balances with banks.

Short-term investments

Short-term investments consist of guaranteed investment certificates and a mutual fund. These items are recorded at fair value, with changes in fair value recorded immediately in the statement of operations as gains or losses arising from changes in the fair value of short-term investments. Short-term investments subject to restrictions that prevent its use for current purposes is included in restricted short-term investments.

Property and equipment

Property and equipment are initially recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Buildings	10-50 years
Automotive	10 years
Equipment	10-30 years
Grounds equipment	20 years
Lake and park improvements	3-50 years
Office equipment	5-10 years
Water systems	25 years

Non-current accounts receivable

Non-current accounts receivable include fees due from members that have been outstanding in excess of one year plus any applicable interest. Non-current accounts receivable are secured by an encumbrance on each property. Interest is accrued at a rate of 18% annually.

Revenue recognition

Membership revenue is for the period July 1 to June 30 of each year and is recognized as revenue evenly throughout the year. Deferred revenue represents fees applicable to the period from April 1, 2020 to June 30, 2020.

Interest and other revenue are recognized as revenue when received, or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed materials

Volunteer services provided by members and other individuals have not been recorded in these financial statements because of the difficulty of determining their fair value.

Lake Bonavista Homeowners Association

Notes to the Financial Statements

For the year ended March 31, 2020

2. Significant accounting policies *(Continued from previous page)*

Measurement uncertainty

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of property and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenues and expenses in the periods in which they become known.

Financial instruments

The Association recognizes its financial instruments when the Association becomes party to the contractual provisions of the financial instrument.

At initial recognition, the Association may irrevocably elect to subsequently measure any financial instrument at fair value. The Association has made such an election during the year.

The Association subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by reference to quoted market prices. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period.

Financial impairment

The Association assesses impairment of all of its financial assets measured at cost or amortized cost. The Association groups assets for impairment testing when there are numerous assets affected by the same factors. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Association determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Association reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Association reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess of revenue over expenses in the year the reversal occurs.

3. Short-term investments

	2020	2019
Guaranteed investment certificates bearing interest with a rate of 2.75% (2019 - between 2.0% to 2.75%) and a maturity date of May 15, 2020	66,512	247,594
Mutual funds - investment savings account	480,836	372,519
	547,348	620,113

As the investments are highly liquid they have been classified as current assets. The investments are carried at their fair value and no unrealized gain or loss (2019 - \$nil) was recorded in the current year. Accounts receivable includes accrued investment interest receivable of \$3,479 (2019 - \$2,922).

Lake Bonavista Homeowners Association Notes to the Financial Statements

For the year ended March 31, 2020

4. Accounts receivable

Included in accounts receivable is \$2,242 (2019- \$1,217) of interest receivable on current amounts due to the Association.

5. Property and equipment

		<i>Accumulated</i>	<i>2020</i>	<i>2019</i>
	<i>Cost</i>	<i>amortization</i>	<i>Net book</i>	<i>Net book</i>
			<i>value</i>	<i>value</i>
Land	1	-	1	1
Buildings	2,704,864	366,007	2,338,857	2,405,837
Automotive Equipment	17,000	17,000	-	-
Equipment	580,416	360,060	220,356	113,694
Grounds equipment	325,709	155,384	170,325	186,611
Lake and park improvements	1,546,480	835,249	711,231	254,336
Office equipment	95,810	84,969	10,841	10,484
Water systems	128,784	127,334	1,450	1,658
	5,399,064	1,946,003	3,453,061	2,972,621

6. Non-current accounts receivable

	<i>2020</i>	<i>2019</i>
Membership fees receivable	6,647	6,610
Accrued interest on membership fees receivable	7,223	6,280
	13,870	12,890

7. Accounts payable and accruals

	<i>2020</i>	<i>2019</i>
Trade payable and accruals	108,070	28,668
Wages payable	1,317	8,169
Vacation payable	2,294	2,295
Source deductions payable	488	2,576
	112,169	41,708

8. Deferred contributions related to property and equipment

Deferred capital contributions related to property and equipment consist of the unamortized amount of contributions received for a building constructed during fiscal 2018. Recognition of these amounts as revenue is deferred to future periods when the related building costs are amortized. Changes in deferred capital contributions are as follows:

	<i>2020</i>	<i>2019</i>
Opening balance	120,000	122,500
Less: Amounts recognized as revenue during the year	(2,500)	(2,500)
	117,500	120,000

Lake Bonavista Homeowners Association
Notes to the Financial Statements
For the year ended March 31, 2020

9. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest rate, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its short-term investments with variable interest rates.

10. Government assistance

Included as a reduction to salary, wages and benefits expense are government grant receipts of \$11,475 (2019 - \$11,813), which pertain to the Summer Youth Employment Program through the Government of Alberta.

11. Insurance recovery

In the prior year, a fire damaged an ice resurfacer included in property and equipment at a \$nil net book value, rendering it unusable. During the current year, the Association disposed of the damaged ice resurfacer from property and equipment. Additionally, the Association received insurance proceeds in the amount of \$127,330 to obtain a temporary rental and to replace the damaged ice resurfacer. This amount has been reported as an insurance recovery on the statement of operations.

12. Significant event

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial, and municipal governments regarding travel, business operations, and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Association as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada to fight the virus.

13. Change in accounting estimate

Effective April 1, 2019, the Association revised the estimated useful life of Park Improvements from 10 years to 20 years. This change in useful life was applied prospectively and prior year results have not been restated. No changes resulted from this change in accounting estimate for the year ended March 31, 2020.