

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

The Shareholders
The Beach Villa Owners Association Ltd.
Treasure Cay
Abaco, The Bahamas

Opinion

We have audited the financial statements of The Beach Villa Owners Association Ltd., which comprise the statement of financial position as at 31st December 2020, and the statement of profit and other comprehensive loss, statement of changes in equity and statement of 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 Company as at 31st December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and The Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for SMEs, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 ISAs 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 ISAs, 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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 The Board of Directors 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.

We also provide The Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

23rd February 2021
Nassau, Bahamas


Chartered Accountants

THE BEACH VILLA OWNERS ASSOCIATION LTD.
(Incorporated under the laws of The Commonwealth of The Bahamas)

STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER 2020
(Stated in Bahamian dollars)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Current Assets:			
Cash		163,698	170,247
Bank fixed deposits - reserve	3	100,559	75,559
Accrued interest on deposits		51	68
Receivables - dues	4	64,386	40,682
Other receivables	4,10	6,440	72,138
Other current assets	5	4,287	1,984
Total current assets		<u>\$339,421</u>	<u>\$360,678</u>
 LIABILITIES AND EQUITY			
Current Liabilities:			
Owners' contributions received in advance - dues		76,173	151,212
Accounts payable and accrued expense	7	<u>68,253</u>	<u>8,875</u>
Total current liabilities		<u>144,426</u>	<u>160,087</u>
 Equity:			
Share capital		138	138
Contributed surplus		72,522	72,522
Maintenance reserve - road resurfacing		-	13,152
Retained earnings		<u>122,335</u>	<u>114,779</u>
Total equity		<u>194,995</u>	<u>200,591</u>
Total Liabilities and Equity		<u>\$339,421</u>	<u>\$360,678</u>

See independent accountant's audit report
and accompanying notes on pages 7 through 12.

THE BEACH VILLA OWNERS ASSOCIATION LTD.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE LOSS
FOR THE YEAR ENDED 31ST DECEMBER 2020

(Stated in Bahamian dollars)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
INCOME			
Owners' contributions	9	477,411	478,235
Interest		5,803	2,184
Laundry income		63	11,343
Water sales		-	4,851
Other	10	14,500	55,276
Gross income		<u>497,777</u>	<u>551,889</u>
EXPENSE			
Hurricane Dorian recovery	10	169,354	110,549
Landscaping labour		114,414	106,008
Maintenance		49,442	6,202
Manager's salary		42,715	40,040
Landscaping supervisor		41,958	42,132
Landscaping and grounds maintenance		19,026	27,048
Employee benefits		11,614	10,707
Insurance		8,921	6,142
Street lighting and road repairs		8,207	28,265
Professional fees		6,033	7,116
General and administrative expense		5,671	11,811
Telephone, fax and internet		3,529	4,440
Essential services		2,882	76,149
Office supplies		2,229	3,093
Sewage repairs		2,060	1,125
Bank charges		2,035	3,603
Laundry expense		131	9,764
Pool maintenance		-	28,559
Depreciation expense	6	-	3,683
Equipment maintenance (R/O)		-	2,411
Total operating expenses		<u>(490,221)</u>	<u>(528,847)</u>
Operating profit		7,556	23,042
Insurance claim, net	10	-	61,323
Income before special projects		<u>7,556</u>	<u>84,365</u>
SPECIAL PROJECTS			
Capital projects	8	(13,152)	(42,573)
Net comprehensive (loss) income for the year		<u>\$ (5,596)</u>	<u>\$ 41,792</u>

See independent accountant's audit report
and accompanying notes on pages 7 through 12.

THE BEACH VILLA OWNERS ASSOCIATION LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2020

(Stated in Bahamian dollars)

	<u>2020</u>		<u>2019</u>	
<u>SHARE CAPITAL</u>	<u>Issued</u> <u>Shares</u>	<u>Amount</u>	<u>Issued</u> <u>Shares</u>	<u>Amount</u>
Authorized, 138 shares of \$1 each				
No change during the year	<u>138</u>	<u>\$ 138</u>	<u>138</u>	<u>\$ 138</u>
 <u>CONTRIBUTED SURPLUS</u>				
No change during the year		<u>\$ 72,522</u>		<u>\$ 72,522</u>
 <u>MAINTENANCE RESERVE</u>				
Balance, at beginning of year		13,152		55,725
Decrease for the year		<u>(13,152)</u>		<u>(42,573)</u>
Balance, at end of year		<u>\$ -</u>		<u>\$ 13,152</u>
 <u>RETAINED EARNINGS</u>				
Balance, at beginning of year		114,779		30,414
Income before special projects		<u>7,556</u>		<u>84,365</u>
Balance, at end of year		<u>\$122,335</u>		<u>\$114,779</u>
 Total Equity		<u>\$194,995</u>		<u>\$200,591</u>

See independent accountant's audit report
and accompanying notes on pages 7 through 12.

THE BEACH VILLA OWNERS ASSOCIATION LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Stated in Bahamian dollars)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before special projects	7,556	84,365
Adjustments for:		
Depreciation	-	3,683
Loss on disposal of plant, property and equipment	-	10,815
Interest income	<u>(5,803)</u>	<u>(2,184)</u>
Operating income before working capital changes	1,753	96,679
(Increase)/decrease in current assets:		
Receivables	(20,231)	(18,299)
Other receivables	65,698	(72,138)
Other current assets	(2,303)	323
Increase/(decrease) in current liabilities:		
Advanced owners' contributions	59,378	22,794
Accounts payable and accrued expense	<u>(75,039)</u>	<u>3,268</u>
Net cash provided by operating activities	<u>29,256</u>	<u>32,627</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>2,347</u>	<u>2,131</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Assessment used for capital projects	<u>(13,152)</u>	<u>(42,573)</u>
Net increase (decrease) in cash and cash equivalents	18,451	(7,815)
Cash and cash equivalents, at beginning of year	<u>245,806</u>	<u>253,621</u>
Cash and cash equivalents, at end of year	<u>\$264,257</u>	<u>\$245,806</u>
Represented by:		
Cash on hand and in bank	163,698	170,247
Bank fixed deposits	<u>100,559</u>	<u>75,559</u>
	<u>\$264,257</u>	<u>\$245,806</u>

See independent accountant's audit report
and accompanying notes on pages 7 through 12.

THE BEACH VILLA OWNERS ASSOCIATION LTD.

NOTES TO FINANCIAL STATEMENTS

31ST DECEMBER 2020

1. General information and significant accounting policies.

General information –

The company was incorporated on 14th July 1967 under the laws of The Commonwealth of The Bahamas to operate the Beach Villa Owners Association, the day-to-day management of which was performed by Treasure Cay Limited with effect from date of incorporation (14th July 1967) until 31st July 1973. On 1st August 1973, management of the Association was transferred to a Board of Directors elected by the members.

The registered office of the Company is located at the offices of Graham, Thompson & Co. Sassoon House, Shirley Street, Nassau, Bahamas. The financial statements were approved by the Board of Directors and authorized for issue on 18th February 2021.

Membership in the Association is restricted to the Beach Villa lot owners, each of whom is entitled to have the shares allocated to each such lot registered to his/her name. The company employs six personnel.

Significant accounting policies -

The significant accounting policies adopted in the preparation of these financial statements are set out below:

Statement of compliance.

International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board and are consistent with the previous period.

Basis of preparation.

The financial statements have been prepared under the historical cost convention and are expressed in Bahamian dollars.

Translation of foreign currencies.

The company's functional currency is Bahamian dollars. In preparing the financial statements of the company, transactions in currencies other than Bahamian dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At the date of each statement of financial position, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity.

THE BEACH VILLA OWNERS ASSOCIATION LTD.

NOTES TO FINANCIAL STATEMENTS

31ST DECEMBER 2020

Continued

1. **General information and significant accounting policies (continued).**

Revenue and expense recognition.

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the provision of services in the ordinary course of business. Revenue and expenses are recognized on the accrual basis of accounting.

Income raised to meet common expenses is recognized when billed to the respective Unit Owners for the period indicated on such billings. Maintenance assessments that cover a specified period are recorded on the accrual basis. Other income and late fee are also recorded on the accrual basis.

Financial instruments.

Recognition.

Financial instruments include financial assets and financial liabilities. The company recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Measurement.

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortized.

Subsequent to initial recognition, financial instruments that are classified at fair value through profit or loss are measured at fair value with changes in their fair value recognized in the statement of income and other comprehensive income. Subsequent to initial recognition, all other financial assets are measured at amortized cost using the effective interest rate method, less impairment losses, if any.

Subsequent to initial recognition, all other financial liabilities are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Classification.

As at 31st December 2020, the company's financial assets measured at amortized cost include cash, bank fixed deposits – reserve, accrued interest receivable, accounts receivable – dues, and other receivables.

As at 31st December 2020, financial liabilities measured at amortized cost include owners contributions received in advance and accounts payable and accrued expenses.

As at 31st December 2020, the company does not have financial assets and financial liabilities measured at fair value through profit or loss.

THE BEACH VILLA OWNERS ASSOCIATION LTD.

NOTES TO FINANCIAL STATEMENTS

31ST DECEMBER 2020

Continued

1. **General information and significant accounting policies (continued).**

Derecognition.

The company derecognizes a financial asset when the contractual right for cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS for SMEs, Section 11.

The company derecognizes a financial liability when the obligation specified in the contract is discharged, cancelled or expired

2. **Critical accounting judgments and key sources of estimation uncertainty.**

Critical judgments in applying the entity's accounting policies – In the process of applying the company's accounting policies, which are described above, judgments made by management that have the most significant effect on the amounts recognized in the financial statements are discussed in the relevant notes below.

Key sources of estimation uncertainty - critical accounting estimates – The preparation of financial statements in accordance with IFRS for SMEs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts included in or affecting the company's financial statements and related disclosure must be estimated, requiring the company to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. A critical accounting estimate is one which is both important to the portrayal of the company's financial condition and results and requires management's most difficult, subjective or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The company evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as the forecasts as to how these might change in the future.

3. **Bank fixed deposits - reserve.**

The company's reserves are kept in bank fixed deposits in the aggregate of \$100,559 (2019 - \$75,559) consisting of the following: -

<u>Principal</u>	<u>Rate</u>	<u>Maturity Date</u>
\$ 100,559	.06%	21st April 2021

THE BEACH VILLA OWNERS ASSOCIATION LTD.

NOTES TO FINANCIAL STATEMENTS

31ST DECEMBER 2020

Continued

4. **Receivables.**

Receivables in the aggregate of \$70,826 (2019 - \$112,820) comprise the following:

	<u>31st December</u>	
	<u>2020</u>	<u>2019</u>
Receivables – Dues	64,386	40,682
Promissory notes	6,440	-
Insurance claim	-	72,138
	<u>\$70,826</u>	<u>\$112,820</u>

5. **Other current assets.**

Other current assets consist of:

	<u>31st December</u>	
	<u>2020</u>	<u>2019</u>
Deposits	800	800
Inventory of supplies	-	99
Prepaid insurance	3,487	1,085
	<u>\$4,287</u>	<u>\$1,984</u>

6. **Property, plant and equipment.**

On 1st September 2019, Hurricane Dorian destroyed all property, plant, and equipment (see also note 10). Subsequent to the passing of Hurricane Dorian, repairs and maintenance expenditures (including renewals and improvements) are written-off to common expenses as incurred.

7. **Accounts payable and accrued expense.**

Accounts payable and accrued expense consists of:

	<u>31st December</u>	
	<u>2020</u>	<u>2019</u>
Accounts payable	10,648	-
Accrued expenses	4,500	4,500
Payroll liabilities	28	(274)
VAT	53,077	4,649
	<u>\$68,253</u>	<u>\$8,875</u>

8. **Related party balances and transactions.**

Related parties are defined as follows: -

(i) Controlling shareholders; (ii) key management personnel and (iii) employees. Assessments and related revenue, other income and related receivables are from shareholders.

Special projects.

Resurfacing of the roads and parking lots commenced February 2018, and was completed in June 2018, at a total cost of \$274,980 (VAT exclusive) plus \$33,698 (VAT). In 2020, the company commenced capital projects works totaling \$13,152 (2019 - \$42,573):

THE BEACH VILLA OWNERS ASSOCIATION LTD.

NOTES TO FINANCIAL STATEMENTS

31ST DECEMBER 2020

Continued

**8. Related party balance and transactions (continued).
Special projects (continued).**

	31st December	
	2020	2019
Irrigation projects	6,471	14,157
Fence & wall replacement	3,200	14,068
Pool furniture	1,709	3,784
Observation extention	1,772	-
Road resurfacing	-	3,330
Special landscaping project	-	2,972
Signage	-	2,597
Pool heater shed	-	1,665
	<u>\$13,152</u>	<u>\$42,573</u>

9. Income and expense analysis.

Owner's contribution.

Effective January 1, 2019, there was an increase in dues from \$3,500 to \$4,000. The increase was to cover increases in essential services and garbage collection which is now under the purview of the company.

Essential services consists of:

	31st December	
	2020	2019
Garbage collection	-	33,600
Safety and security TCPOA	-	19,834
TCESO Emergency	-	19,833
T.C. Amenities	<u>2,882</u>	<u>2,882</u>
	<u>\$2,882</u>	<u>\$76,149</u>

On 1st September 2019, Hurricane Dorian made landfall in Abaco, causing widespread damage. T.C. amenities, garbage collection, safety and security TCPOA, and TCESO emergency services were temporarily suspended after the passage of the hurricane (see also note 10).

10. Catastrophic Loss.

On 1st September 2019, Beach Villa Owners Association sustained catastrophic damage as a result of Hurricane Dorian. The net book value of the property, plant and equipment destroyed as a result of Hurricane Dorian equaled \$10,815 as of 31st August 2019. On 10th December 2019, management agreed to a settlement deal with Royal Star Assurance for \$72,138 in full and final satisfaction of their insurance claim relating to Hurricane Dorian. The insurance proceeds were received on 15th January 2020. The insurance proceeds were accrued at year-end 2019 and are presented net of the related loss on the disposal of plant, property and equipment, resulting in a net insurance claim of \$61,323.

THE BEACH VILLA OWNERS ASSOCIATION LTD.

NOTES TO FINANCIAL STATEMENTS

31ST DECEMBER 2020

Continued

10. Catastrophic loss (continued).

In 2019, in the immediate aftermath of the storm, management provided assistance to help tarp and protect any home-owners who suffered roof damage as a result of the storm. To help cover costs, a flat fee of \$1,200 per villa was billed to all home-owners who participated in the scheme. Management collected \$54,400 which is included in other income on the statement of loss and other comprehensive loss.

In 2020, Management received several donations from homeowners totaling 14,500 to help with rebuilding efforts. These donations are included in other income on the statement of loss and other comprehensive loss.

Re-building efforts are on-going, and it is of the opinion of management that the hurricane does not represent a going concern issue. As of 31st December 2020, management has incurred a total of \$169,354 (2019 - \$110,549) in related cleaning and re-building costs.

11. Subsequent Events.

Management has determined there were no subsequent events requiring adjustment in the financial statements except for the potential adverse effects of the outbreak of COVID-19 in 2020. Many countries have reacted by instituting quarantines and restrictions on travel, resulting in supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global economy and the sector in which the Company operate is uncertain at this time, but it has the potential to adversely affect business. Nevertheless, the Company continues to closely monitor the situation with regards to the degree of uncertainty and risk on financial performance in 2021.