

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. (the “Company”), which comprise the statement of financial position as at 31st December 2022, and the statement of loss 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard 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.

26th May 2023
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 2022
(Stated in Bahamian dollars)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
ASSETS			
Current Assets:			
Cash		406,913	255,593
Bank fixed deposits - reserve	3	-	100,609
Receivables - dues	4	108,595	132,629
Other receivables	4	-	1,640
Other current assets	5	<u>7,192</u>	<u>8,128</u>
Total current assets		<u>\$522,700</u>	<u>\$498,599</u>
LIABILITIES AND EQUITY			
Current Liabilities:			
Owners' contributions received in advance - dues		84,754	25,414
Accounts payable and accrued expense	6	<u>32,306</u>	<u>38,727</u>
Total current liabilities		<u>117,060</u>	<u>64,141</u>
Equity:			
Share capital		138	138
Contributed surplus		72,522	72,522
Retained earnings		<u>332,980</u>	<u>361,798</u>
Total equity		<u>405,640</u>	<u>434,458</u>
Total Liabilities and Equity		<u>\$522,700</u>	<u>\$498,599</u>

See independent accountant's audit report
and accompanying notes on pages 7 through 11.

THE BEACH VILLA OWNERS ASSOCIATION LTD.

STATEMENT OF LOSS AND OTHER COMPREHENSIVE LOSS
FOR THE YEAR ENDED 31ST DECEMBER 2022

(Stated in Bahamian dollars)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
INCOME			
Owners' contributions		500,210	470,067
Interest		-	83
Laundry income		7,959	2,922
Water sales		3,770	2,635
Other		69,448	3,500
Special assessment	8	-	208,929
Gross income		<u>581,387</u>	<u>688,136</u>
EXPENSE			
Sewerage repairs	8	136,380	14,545
Landscaping labour		112,702	117,653
Pool expense		58,412	32,700
Maintenance		56,808	44,949
Managers salary		50,598	44,000
Landscaping supervisor		46,657	42,120
Capital projects - paving, sidewalk and street lights		45,457	-
Landscaping and ground maintenance		33,646	48,828
Professional fees		24,785	7,174
Employee benefits		12,468	13,380
General and administrative		8,688	22,997
Insurance		7,301	11,274
Bank charges		3,138	3,356
Essential services – T.C. amenities		2,882	2,882
Telephone, fax and internet		2,877	6,941
Street lights and road repairs		2,536	24,231
Office supplies		2,496	1,799
Laundry expense		2,374	9,844
Total operating expenses		<u>(610,205)</u>	<u>(448,673)</u>
Net loss for the year		<u>\$ (28,818)</u>	<u>\$239,463</u>

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and accompanying notes on pages 7 through 11.

THE BEACH VILLA OWNERS ASSOCIATION LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2022

(Stated in Bahamian dollars)

	<u>2022</u>		<u>2021</u>	
	<u>Issued</u> <u>Shares</u>	<u>Amount</u>	<u>Issued</u> <u>Shares</u>	<u>Amount</u>
<u>SHARE CAPITAL</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
Decrease for the year		-		(13,152)
Balance, at end of year		<u>\$ -</u>		<u>\$ -</u>
<u>RETAINED EARNINGS</u>				
Balance, at beginning of year		361,798		122,335
Net loss		(28,818)		239,463
Balance, at end of year		<u>\$332,980</u>		<u>\$361,798</u>
Total Equity		<u>\$405,640</u>		<u>\$434,458</u>

See independent accountant's audit report
and accompanying notes on pages 7 through 11.

THE BEACH VILLA OWNERS ASSOCIATION LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2022

(Stated in Bahamian dollars)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income before special projects	(28,818)	239,463
Adjustments for:		
Interest income	<u>-</u>	<u>(83)</u>
Operating (loss) income before working capital changes	(28,818)	239,380
Decrease/(increase) in current assets:		
Receivables	24,034	(68,160)
Other receivables	1,640	4,800
Other current assets	936	(3,841)
Increase/(decrease) in current liabilities:		
Owner's contributions received in advance - dues	59,340	(50,759)
Accounts payable and accrued expense	<u>(6,421)</u>	<u>(29,526)</u>
Net cash provided by operating activities	<u>50,711</u>	<u>91,894</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>-</u>	<u>51</u>
Net increase in cash and cash equivalents	50,711	91,945
Cash and cash equivalents, at beginning of year	<u>356,202</u>	<u>264,257</u>
Cash and cash equivalents, at end of year	<u>\$406,913</u>	<u>\$356,202</u>
Represented by:		
Cash, on hand and in bank	406,913	255,593
Bank fixed deposits - reserve	<u>-</u>	<u>100,609</u>
	<u>\$406,913</u>	<u>\$356,202</u>

See independent accountant's audit report
and accompanying notes on pages 7 through 11.

THE BEACH VILLA OWNERS ASSOCIATION LTD.

NOTES TO FINANCIAL STATEMENTS

31ST DECEMBER 2022

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 26th May 2023.

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. The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

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 loss. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of comprehensive loss 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 2022

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 2022, the company's financial assets measured at amortized cost include cash, receivables – dues, and other receivables.

As at 31st December 2022, financial liabilities measured at amortized cost include accounts payable and accrued expenses.

As at 31st December 2022, 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 2022

Continued

1. **General information and significant accounting policies (continued).**
Financial instruments (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, *Basic Financial Instruments*.

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 \$Nil (2021 - \$100,609). In April the Company closed its time deposit account at Royal Bank of Canada and moved \$100,609 into the savings account.

THE BEACH VILLA OWNERS ASSOCIATION LTD.

NOTES TO FINANCIAL STATEMENTS

31ST DECEMBER 2022

Continued

4. Receivables.

Receivables in the aggregate of \$108,595 (2021 - \$134,269) comprise the following:

	<u>31st December</u>	
	<u>2022</u>	<u>2021</u>
Receivables – dues	108,595	132,629
Other receivables	<u>-</u>	<u>1,640</u>
	<u>\$108,595</u>	<u>\$134,269</u>

All of the Company's accounts receivable have been reviewed for indicators of impairment. During the year, the Company has not recognized any impairment against receivables.

5. Other current assets.

Other current assets consist of:

	<u>31st December</u>	
	<u>2022</u>	<u>2021</u>
Deposits	-	1,050
Prepaid insurance	4,257	4,287
VAT Input	<u>2,935</u>	<u>2,791</u>
	<u>\$7,192</u>	<u>\$ 8,128</u>

6. Accounts payable and accrued expense.

Accounts payable and accrued expense consists of:

	<u>31st December</u>	
	<u>2022</u>	<u>2021</u>
Accounts payable	19,074	2,638
Accrued expenses	4,600	4,500
Payroll liabilities	761	34
VAT	<u>7,871</u>	<u>31,555</u>
	<u>\$32,306</u>	<u>\$38,727</u>

7. 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.

THE BEACH VILLA OWNERS ASSOCIATION LTD.

NOTES TO FINANCIAL STATEMENTS

31ST DECEMBER 2022

Continued

8. Special projects and assessments.

In the prior year, the Board of Directors of the Company addressed the sewerage system widespread across the Treasure Cay community. The system and component infrastructure was completely destroyed and rendered inoperable after Hurricane Dorian. To this end, on 24th April 2021, the Beach Villas assessed their owners \$234,000 (VAT inclusive). As of 31st December 2021, \$208,000 had been collected. These funds were to be used solely for repairing the lift stations and treatment facility. In January of 2022, management received a proposal letter from Bahamas Water and Sewerage Corporation (BWSC) to enter into a public-private partnership to share costs of repairing the Treasure Cay sewer system. The cost expensed to sewer repairs at 31st December was \$121,380 (2021 - \$14,545).

As of 31st December 2022, the Beach Villas paid the BWSC \$119,000, for the stated use. The balance of the assessment collection was credited to unit owners who paid the \$2,000 assessment related to their 2023 dues. As of 31st December 2022, \$15,000 of this balance was refunded to members who sold their villa. In addition to the \$119,000 payment to BWSC, the BVOA incurred additional sewer related expenses which were budgeted in 2022 and paid via operating funds, \$1,925 for tank pumping and \$15,455 of related VAT.

9. Subsequent events.

The board has allocated \$183,660 from the cash balance as reserve funds for future periods, with \$146,660 designated for future capital improvements and major repairs, and the remaining \$37,000 designated for the Company's employee retirement fund. In 2023, the Board plans on opening two bank accounts to keep these funds separate from the general operating funds.