

Fairmont Vacation Villas at Mountainside
Financial Statements
December 31, 2021

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Independent Auditor's Report

To the Leaseholders of Fairmont Vacation Villas at Mountainside

Qualified Opinion

We have audited the accompanying financial statements of Fairmont Vacation Villas at Mountainside (the Entity), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, change 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis For Qualified Opinion

At the time of the audit we were unable to obtain sufficient appropriate audit evidence in regards to the existence, completeness, accuracy and valuation of the accounts receivable from leaseholders, prepaid leaseholders' fees, and bad debt expense. As a result the completeness, existence and accuracy of these amounts was not subject to satisfactory audit verification. Consequently we were unable to determine whether any adjustments might be necessary to accounts receivable, prepaid leaseholders' fees or excess of revenue over expense for the year ended December 31, 2021 and net assets as at December 31, 2021. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified because of limitation in scope of the work over the valuation of the accounts receivable and bad debts.

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 Entity 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

BDO Canada LLP

Chartered Professional Accountants

Brandon, MB
May 13, 2022


**Fairmont Vacation Villas at Mountainside
Statement of Financial Position**


December 31	2021	2020
Assets		
Current		
Cash (Note 2)	\$ 448,413	\$ 214,247
Accounts receivable (Note 3)	269,510	1,310,203
Inventory	91,007	85,158
Prepaid expenses	-	26,107
Replacement reserve investments (Note 4)	730,168	703,827
	1,539,098	2,339,542
Capital assets (Note 5)	84,683	93,436
	\$ 1,623,781	\$ 2,432,978

Liabilities and Net Surplus

Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 274,451	\$ 224,686
Deposits	21,693	22,292
Prepaid leaseholders' fees (Note 7)	390,460	385,248
Replacement reserve (Note 8)	680,308	983,741
	1,366,912	1,615,977
Net surplus	256,869	817,001
	\$ 1,623,781	\$ 2,432,978

Approved on behalf of the Manager:





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

Fairmont Vacation Villas at Mountainside Statement of Operations and Changes in Fund Balances

For the year ended December 31	2021	2020
Revenues		
Operating and management fees	\$ 4,029,615	\$ 3,865,279
Replacement reserve contributions (Note 8)	434,399	459,217
Interest	56,253	40,963
Rental commissions	71,703	60,594
Recreation centre	3,151	3,598
Other	102,130	197,746
Subsidy income	52,276	468,259
	<u>4,749,527</u>	<u>5,095,656</u>
Expenses		
Salaries and wages	1,599,653	1,686,440
Replacement reserve expenses (Note 8)	434,399	459,217
Electricity	437,336	338,958
Provision for doubtful accounts	1,160,012	310,913
Waste disposal and water	201,332	167,538
Insurance	182,280	100,802
Supplies and cleaning services	139,046	95,088
Bank charges and interest	84,328	85,479
Repairs and maintenance	120,222	66,253
Office and data processing support	36,484	64,194
Property taxes	60,558	63,977
Propane and fireplace wood	71,281	59,283
Trustee fees	36,024	57,407
Automotive	36,918	44,223
Cable television	36,895	27,929
Amortization	12,540	20,429
Audit and legal	22,283	18,973
Miscellaneous	21,215	13,958
Telephone	5,815	9,627
Postage	2,658	8,629
	<u>4,701,279</u>	<u>3,699,317</u>
Other Items		
Management fees	607,697	584,548
Loss on sale of assets	683	-
	<u>5,309,659</u>	<u>4,283,865</u>
Excess (deficiency) of revenues over expenses	(560,132)	811,791
Net surplus, beginning of year	817,001	5,210
Net surplus, end of year	\$ 256,869	\$ 817,001

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

Fairmont Vacation Villas at Mountainside Statement of Cash Flows

For the year ended December 31	2021	2020
Cash flows from operating activities		
Cash receipts from leaseholders	\$ 5,903,205	\$ 4,747,911
Interest received	90,195	48,653
Cash paid to employees and suppliers	(5,747,416)	(4,333,557)
	<u>245,984</u>	<u>463,007</u>
Cash flows from investing activities		
Purchase of long-term investments (Note 4)	-	(300,000)
Purchase of property, plant and equipment	(12,018)	(23,439)
Proceeds from disposal of capital assets	200	-
	<u>(11,818)</u>	<u>(323,439)</u>
Net increase in cash	234,166	139,568
Cash, beginning of year	214,247	74,679
Cash, end of year	\$ 448,413	\$ 214,247

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

Fairmont Vacation Villas at Mountainside Notes to Financial Statements

December 31, 2021

1. Summary of Significant Accounting Policies

Nature of Operations	Fairmont Vacation Villas at Mountainside is a not-for-profit entity, with the excess of revenue (expenses) for the year being credited to (recoverable from) leaseholders for inclusion in the next year's revenue (expenses). The Entity's principal business is the management of the leased villas. Fairmont Vacation Villas at Mountainside is a not-for-profit organization under the Income Tax Act and therefore is not subject to either federal or provincial income taxes.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).
Funded Reserves	<p>The General Fund accounts for the Entity's management and administrative activities. This fund reports unrestricted resources in addition to capital assets.</p> <p>The Replacement Reserve reports only restricted resources that have been designated for specific purposes or programs.</p>
Financial Instruments	Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. All bonds have been designated to be in the fair value category, with gains and losses reported in the replacement reserve. All other financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date.

Fairmont Vacation Villas at Mountainside Notes to Financial Statements

December 31, 2021

1. Summary of Significant Accounting Policies (continued)

Capital Assets

Purchased capital assets are stated at cost less accumulated amortization. Amortization is provided under the straight-line basis at the following rates:

Office equipment	20%
Maintenance equipment	20%
Recreation equipment	20%
Automotive equipment	20%
Maintenance building	5%

When a capital asset no longer contributes to the Entity's ability to provide goods and services, or the future economic benefits or service potential of the capital asset is less than its carrying value, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations.

Inventory

Inventory of retail centre and supplies inventory for housekeeping and maintenance are stated at the lower of cost and net realizable value.

Revenue Recognition

The Entity follows the deferral method of accounting for contributions.

Fees are invoiced to the leaseholders yearly and are recognized as revenue when the related service is provided.

Replacement reserve revenue is recognized when related expenses are incurred.

Interest income is recognized when earned on the related investment balance.

Other revenue is recognized when the related goods or service are provided.

Government subsidy revenue is recognized when received.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles for not-for-profit organizations 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Fairmont Vacation Villas at Mountainside Notes to Financial Statements

December 31, 2021

2. Cash

The Entity maintains its cash balances in several financial institutions in British Columbia. The Canada Deposit Insurance Corporation (CDIC) insures each of these accounts up to \$100,000. The aggregate funds held in each institution may exceed the CDIC insured limit from time to time and specific funds held by each institution may not be covered by CDIC insurance. Management does not anticipate any material effect on the financial position of the Entity as a result of these concentrations.

3. Accounts Receivable

	<u>2021</u>	<u>2020</u>
Due from leaseholders	\$ 245,957	\$ 1,426,110
Provision for doubtful accounts	-	(197,492)
GST receivable	17,070	63,329
Other receivables	6,483	18,256
	<u>\$ 269,510</u>	<u>\$ 1,310,203</u>

4. Replacement Reserve Investments

The Entity holds an investment in a mutual fund with RBC Investments. During the year the Entity deposited \$nil (2020 - \$300,000) and withdrew \$nil (2020 - \$nil) from the investment.

During the year a fair value adjustment of \$20,295 (2020 - \$30,563) was recorded. This non-cash transaction resulted in a increase to the replacement reserve investments and the replacement reserve.

**Fairmont Vacation Villas at Mountainside
Notes to Financial Statements**

December 31, 2021

5. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 133,513	\$ 120,538	\$ 131,699	\$ 119,728
Maintenance equipment	163,041	123,420	155,779	114,422
Recreation equipment	38,372	33,292	38,372	32,022
Automotive equipment	135,240	108,233	135,240	101,482
Maintenance building	12,545	12,545	12,545	12,545
	\$ 482,711	\$ 398,028	\$ 473,635	\$ 380,199
Net book value		\$ 84,683		\$ 93,436

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are \$10,799 (2020 - \$3,533) in government remittances payable.

7. Prepaid Leaseholders' Fees

Prepaid leaseholders' fees relates to funds received for services that have not yet been provided. The funds will be recognized as revenue as the services occur. Changes in the prepaid leaseholders' fees balance are as follows:

	2021	2020
Balance, beginning of year	\$ 385,248	\$ 593,190
Amount received during the year	390,460	385,248
Less: Amount recognized as revenue during the year	(385,248)	(593,190)
Balance, end of year	\$ 390,460	\$ 385,248

Fairmont Vacation Villas at Mountainside Notes to Financial Statements

December 31, 2021

8. Replacement Revenue

	2021	2020
Revenues		
Annual fees	\$ 557,226	\$ 616,386
Income earned	32,462	9,170
Unrealized gain	20,295	30,563
	609,983	656,119
Expenses		
Appliances/BBQ's/electronics	57,114	23,006
Beds/linens/window coverings	26,109	4,800
Renovations/flooring/furniture	107,038	185,968
Roofing and decking	18,685	60,073
Painting	41,099	46,693
Recreation centre	-	11,519
Labour	184,354	127,158
	434,399	459,217
Excess of revenues over expenses	175,584	196,902
Provision for doubtful accounts	(479,017)	-
	(303,433)	459,217
Replacement reserve, beginning of year	983,741	786,839
Replacement reserve, end of year	\$ 680,308	\$ 983,741

The replacement reserve is funded through the funds received from leaseholders and income earned on investments. Related investments are as described in Note 4, resulting in a replacement reserve that is overfunded in the amount of \$49,861 (2020 - underfunded in the amount of \$279,914).

Fairmont Vacation Villas at Mountainside Notes to Financial Statements

December 31, 2021

9. Related Party Transactions

The Entity is related to Fairmont Financial Services Ltd., the manager of the villas, and to Fairmont Hot Springs Resort Ltd., the developer and lessor of the villas.

- a) At the end of the year, amounts due from and to related parties included in accounts receivable and accounts payable are as follows:

	2021	2020
Due (to)/from related parties		
Fairmont Hot Springs Resort Ltd.	\$ 90,778	\$ 88,138
Fairmont Financial Services Ltd.	(21,927)	(38,271)
	\$ 68,851	\$ 49,867

Management has concluded that it is not practical to determine the fair value of related party loans as there is no comparable market data.

- b) The following table summarized the Entity's transactions with related parties:

	2021	2020
Amounts paid to related parties		
Fairmont Financial Services Ltd. - management fees	\$ 607,697	\$ 584,548
Amounts received from related parties		
Fairmont Hot Springs Resort Ltd. - leaseholder fees	\$ 493,634	\$ 391,387

These transactions are in the normal course of operations and are measured at the exchange amount (the amount of consideration established and agreed to by the related parties).

Fairmont Vacation Villas at Mountainside Notes to Financial Statements

December 31, 2021

10. Financial Instruments

Credit Risk

The Entity is exposed to normal credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Entity's financial instruments that are exposed to concentrations of credit risk relate primarily to accounts receivable.

Market Risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk. Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The replacement reserve investments may be exposed to interest rate risk or other price risk. The Entity is not exposed to foreign exchange risk.

11. Uncertainty Due to COVID-19

As the impact of COVID-19 in Canada and on the global economy continues, there could be further impact on the Entity, that could impact the timing and amounts realized on the Entity's assets and future ability to deliver services. At this time, the full potential impact of COVID-19 on the Entity is not known.

Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The Entity will continue to focus on collecting owners' fees, managing expenditures, and leveraging existing operations to ensure it is able to continue to provide its services.
