

**Fairmont Vacation Villas at Mountainside**  
**Financial Statements**  
December 31, 2023

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## Independent Auditor's Report

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### 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, 2023, 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, 2023, 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, 2023 and net assets as at December 31, 2023. Our audit opinion on the financial statements for the year ended December 31, 2022 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.



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## Independent Auditor's Report (continued)

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### 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

Kelowna, BC  
March 20, 2024



## Fairmont Vacation Villas at Mountainside Statement of Financial Position

December 31	2023	2022
<b>Assets</b>		
<b>Current</b>		
Cash (Note 2)	\$ 220,593	\$ 538,011
Replacement reserve cash (Note 4)	-	500,000
Accounts receivable (Note 3)	200,710	210,107
Inventory	81,507	94,352
Prepaid expenses	157,572	66,030
Replacement reserve investments (Note 4)	522,253	-
	1,182,635	1,408,500
<b>Capital assets (Note 5)</b>	73,164	73,528
	\$ 1,255,799	\$ 1,482,028

## Liabilities and Net Surplus

<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 367,701	\$ 327,133
Deposits	42,453	41,220
Prepaid leaseholders' fees (Note 7)	394,580	411,478
Replacement reserve (Note 8)	596,739	556,600
	1,401,473	1,336,431
<b>Net surplus (deficit)</b>	(145,674)	145,597
	\$ 1,255,799	\$ 1,482,028

Approved on behalf of the Manager:

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

For the year ended December 31	2023	2022
<b>Revenues</b>		
Operating and management fees	\$ 3,523,816	\$ 3,542,290
Replacement reserve contributions (Note 8)	403,349	412,502
Interest	60,300	61,584
Rental commissions	90,025	79,072
Recreation centre	15,333	4,003
Other	86,969	117,545
	<u>4,179,792</u>	<u>4,216,996</u>
<b>Expenses</b>		
Amortization	16,299	18,112
Audit and legal	35,320	24,576
Automotive	58,827	66,863
Bank charges and interest	80,166	80,503
Cable television	35,838	32,655
Electricity	388,693	384,210
Insurance	203,965	212,000
Miscellaneous	7,733	40,424
Office and data processing support	81,390	36,698
Postage	2,875	5,899
Propane and fireplace wood	93,928	80,188
Property taxes	104,624	22,470
Provision (recovery) for doubtful accounts	(70,418)	83,811
Repairs and maintenance	99,151	86,371
Replacement reserve expenses (Note 8)	403,349	412,502
Salaries and wages	1,930,457	1,726,454
Supplies and cleaning services	305,480	248,526
Telephone	5,064	4,591
Trustee fees	45,486	41,443
Waste disposal and water	128,258	186,390
	<u>3,956,485</u>	<u>3,794,686</u>
<b>Excess of revenues over expenses before other items</b>	<b>223,307</b>	<b>\$ 422,310</b>
<b>Other Items</b>		
Management fees (Note 9)	514,578	532,982
Loss on sale of assets	-	600
	<u>514,578</u>	<u>533,582</u>
<b>Deficiency of revenues over expenses</b>	<b>(291,271)</b>	<b>(111,272)</b>
<b>Net surplus, beginning of year</b>	<b>145,597</b>	<b>256,869</b>
<b>Net surplus (deficiency), end of year</b>	<b>\$ (145,674)</b>	<b>\$ 145,597</b>

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	2023	2022
<b>Cash flows from operating activities</b>		
Cash receipts from leaseholders	\$ 4,131,110	\$ 4,220,765
Interest received	60,300	61,584
Cash paid to employees and suppliers	(4,492,892)	(4,344,201)
	<u>(301,482)</u>	<u>(61,852)</u>
<b>Cash flows from investing activities</b>		
Purchase of long-term investments (Note 4)	(500,000)	-
Proceeds from sale of long-term investments (Note 4)	-	659,007
Purchase of capital assets	(15,936)	(11,757)
Proceeds from disposal of capital assets	-	4,200
	<u>(515,936)</u>	<u>651,450</u>
<b>Net increase (decrease) in cash</b>	<b>(817,418)</b>	<b>589,598</b>
<b>Cash, beginning of year</b>	<b>1,038,011</b>	<b>448,413</b>
<b>Cash, end of year</b>	<b>\$ 220,593</b>	<b>\$ 1,038,011</b>
<b>Represented by:</b>		
Cash	\$ 220,593	\$ 538,011
Replacement reserve cash	-	500,000
	<u>\$ 220,593</u>	<u>\$ 1,038,011</u>

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

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## Fairmont Vacation Villas at Mountainside Notes to Financial Statements

December 31, 2023

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### 1. Summary of Significant Accounting Policies

<b>Nature of Operations</b>	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.
<b>Basis of Accounting</b>	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).
<b>Replacement Reserve</b>	The Replacement Reserve represents member funds held by the Entity for the specific purpose to upkeep and maintain the leased units.
<b>Financial Instruments</b>	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.

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## Fairmont Vacation Villas at Mountainside Notes to Financial Statements

December 31, 2023

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### 1. Summary of Significant Accounting Policies (continued)

<b>Capital Assets</b>	<p>Purchased capital assets are stated at cost less accumulated amortization. Amortization is provided on a declining balance basis at the following rates:</p> <table><tr><td>Office equipment</td><td>20%</td></tr><tr><td>Maintenance equipment</td><td>20%</td></tr><tr><td>Recreation equipment</td><td>20%</td></tr><tr><td>Automotive equipment</td><td>20%</td></tr><tr><td>Maintenance building</td><td>5%</td></tr></table> <p>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.</p>	Office equipment	20%	Maintenance equipment	20%	Recreation equipment	20%	Automotive equipment	20%	Maintenance building	5%
Office equipment	20%										
Maintenance equipment	20%										
Recreation equipment	20%										
Automotive equipment	20%										
Maintenance building	5%										
<b>Inventory</b>	<p>Inventory of retail centre and supplies inventory for housekeeping and maintenance are stated at the lower of cost and net realizable value.</p>										
<b>Revenue Recognition</b>	<p>The Entity follows the deferral method of accounting for contributions.</p> <p>Fees are invoiced to the leaseholders yearly and are recognized as revenue when the related service is provided.</p> <p>Replacement reserve revenue is recognized when related expenses are incurred.</p> <p>Interest income is recognized when earned on the related investment balance.</p> <p>Other revenue is recognized when the related goods or service are provided.</p>										
<b>Use of Estimates</b>	<p>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.</p>										



## Fairmont Vacation Villas at Mountainside Notes to Financial Statements

**December 31, 2023**

### 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

	2023	2022
Related parties (Note 9)	\$ 23,628	\$ 83,888
Due from leaseholders	147,589	111,207
GST receivable	18,860	13,554
Other receivables	10,633	1,458
	<b>\$ 200,710</b>	<b>\$ 210,107</b>

### 4. Replacement Reserve Investments

Throughout the year the Entity held an investment in a GIC with RBC investments. Transactions for the year were as follows:

	2023	2022
Opening balance	\$ -	\$ 730,168
Deposit	500,000	-
Income earned	22,253	25,620
Withdrawals	-	(659,007)
Change in fair value	-	(96,781)
Ending balance	<b>\$ 522,253</b>	<b>\$ -</b>

The funds withdrawn from the investment in the prior year were transferred to the bank account in December 2022 and \$500,000 was re-invested into replacement reserve GICs in January 2023. The interest rate on the GIC is variable with an interest rate of 4.95 % at time of investment.

## Fairmont Vacation Villas at Mountainside Notes to Financial Statements

**December 31, 2023**

### 5. Capital Assets

	<u>2023</u>		<u>2022</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 160,081	\$ 129,780	\$ 144,145	\$ 124,196
Maintenance equipment	158,166	135,838	158,166	130,256
Recreation equipment	38,372	35,121	38,372	34,308
Automotive equipment	135,240	117,956	135,240	113,635
Maintenance building	12,545	12,545	12,545	12,545
	<u>\$ 504,404</u>	<u>\$ 431,240</u>	<u>\$ 488,468</u>	<u>\$ 414,940</u>
Net book value		<u>\$ 73,164</u>		<u>\$ 73,528</u>

### 6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are \$19,038 (2022 - \$10,831) in government remittances payable.

Included in accounts payable and accrued liabilities are \$62,101 (2022- \$29,382) in amounts owing to related parties (Note 9).

### 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:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 411,478	\$ 390,460
Amount received during the year	394,580	411,478
Less: Amount recognized as revenue during the year	<u>(411,478)</u>	<u>(390,460)</u>
Balance, end of year	<u>\$ 394,580</u>	<u>\$ 411,478</u>

## Fairmont Vacation Villas at Mountainside Notes to Financial Statements

December 31, 2023

### 8. Replacement Revenue

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Annual fees	\$ 421,235	\$ 376,955
Income earned	22,253	25,620
Realized loss	-	(96,781)
	<u>443,488</u>	<u>305,794</u>
<b>Expenses</b>		
Appliances/BBQ's/electronics	19,619	30,999
Beds/linens/window coverings	14,059	10,731
Renovations/flooring/furniture	157,159	201,752
Roofing and decking	3,370	19,478
Painting	46,538	46,214
Labour	162,604	103,328
	<u>403,349</u>	<u>412,502</u>
Excess (deficiency) of revenues over expenses	40,139	(106,708)
Provision for doubtful accounts	-	(17,000)
	40,139	(123,708)
Replacement reserve, beginning of year	556,600	680,308
Replacement reserve, end of year	<u>\$ 596,739</u>	<u>\$ 556,600</u>

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 underfunded in the amount of \$74,486 (2022 - underfunded in the amount of \$56,600).

## Fairmont Vacation Villas at Mountainside Notes to Financial Statements

December 31, 2023

### 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:

	<u>2023</u>	<u>2022</u>
<b>Due from related parties</b>		
Fairmont Hot Springs Resort Ltd.	\$ 23,628	\$ 83,888
<b>Due to related parties</b>		
Fairmont Hot Springs Resort Ltd.	\$ (13,679)	\$ -
Fairmont Financial Services Ltd.	(45,026)	-
Riverside Golf Estates Ltd.	(3,396)	(29,382)
	<u>\$ (62,101)</u>	<u>\$ (29,382)</u>

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:

	<u>2023</u>	<u>2022</u>
<b>Amounts paid to related parties</b>		
Fairmont Financial Services Ltd. - management fees	\$ 514,578	\$ 532,982
<b>Amounts received from related parties</b>		
Fairmont Hot Springs Resort Ltd. - leaseholder fees	\$ 817,209	\$ 705,762

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).

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## Fairmont Vacation Villas at Mountainside Notes to Financial Statements

**December 31, 2023**

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### 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.

The risk is unchanged from the prior year.

#### **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.

In the 2022 year the replacement reserve investments were cashed out to the bank account at year end (per Note 4), which removed the exposure to market risk after the transfer was made. In the 2023 year the Entity invested the replacement reserve funds into a GIC with the Royal Bank. These investments may be exposed to interest rate risk as the interest rate is a variable rate, which will fluctuate as the bank's prime rate changes.