

WINTERGREEN WOODS WATER UTILITY LTD.

Financial Statements

Year Ended December 31, 2019

Draft for discussion purposes only

WINTERGREEN WOODS WATER UTILITY LTD.

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INDEPENDENT AUDITOR'S REPORT

To the Members of Wintergreen Woods Water Utility Ltd.

Opinion

We have audited the financial statements of Wintergreen Woods Water Utility Ltd. (the Organization), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenditures, 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 Organization as at December 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 Organization in accordance with 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.

Other Matter

The financial statements for the year ended December 31, 2018 were audited by another professional accountant who expressed an unmodified opinion on those financial statements on April 29, 2019.

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 ASNPO, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

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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 Organization'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 Organization'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 Organization 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.

WINTERGREEN WOODS WATER UTILITY LTD.

Statement of Financial Position

December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 157,279	\$ 140,466
Restricted cash-reserve (Note 5)	141,006	177,791
Accounts receivable	15,760	17,840
GST receivable	3,409	2,467
Prepaid expenses	3,574	2,372
	<u>321,028</u>	340,936
CAPITAL ASSETS (Note 4)	<u>229,631</u>	256,483
	<u>\$ 550,659</u>	<u>\$ 597,419</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 16,420	\$ 14,191
Deferred revenue	70,820	53,450
	<u>87,240</u>	67,641
DEFERRED CONTRIBUTIONS (Note 6)	<u>141,006</u>	177,791
	<u>228,246</u>	245,432
NET ASSETS		
Invested in capital assets	229,631	256,483
Unrestricted	92,782	95,504
	<u>322,413</u>	351,987
	<u>\$ 550,659</u>	<u>\$ 597,419</u>

ON BEHALF OF THE BOARD

Director

Director

See notes to financial statements

WINTERGREEN WOODS WATER UTILITY LTD.**Statement of Revenues and Expenditures****Year Ended December 31, 2019**

	2019	2018
REVENUES		
Water fees	\$ 124,270	\$ 126,920
RCR maintenance reimbursement	3,193	4,277
Other revenue	75	75
Capital reserve allocation	-	(20,000)
	<u>127,538</u>	<u>111,272</u>
EXPENSES		
Repairs and maintenance	96,890	78,434
Amortization of tangible assets	26,852	26,852
Utilities	18,444	17,578
Professional fees	8,400	8,400
Insurance	2,866	2,572
Office and general	1,398	779
Telephone	1,339	1,240
Memberships and subscriptions	720	880
Interest and bank charges	203	226
	<u>157,112</u>	<u>136,961</u>
DEFICIENCY OF REVENUES OVER EXPENSES BEFORE RESERVE	<u>(29,574)</u>	<u>(25,689)</u>
RESERVE		
Reserve income utilized	36,785	(589)
Interest income	989	594
Reserve expenditures	(37,774)	(5)
	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (29,574)</u>	<u>\$ (25,689)</u>

See notes to financial statements

WINTERGREEN WOODS WATER UTILITY LTD.

Statement of Changes in Net Assets

Year Ended December 31, 2019

	Invested in capital assets	Unrestricted	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 256,483	\$ 95,504	\$ 351,987	\$ 377,676
Excess (Deficiency) of revenues over expenses	(26,852)	(2,722)	(29,574)	(25,689)
NET ASSETS - END OF YEAR	\$ 229,631	\$ 92,782	\$ 322,413	\$ 351,987

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WINTERGREEN WOODS WATER UTILITY LTD.**Statement of Cash Flows****Year Ended December 31, 2019**

	2019	2018
OPERATING ACTIVITIES		
Cash receipts from members	\$ 109,214	\$ 129,507
Cash paid to suppliers	(92,198)	(116,809)
Interest paid	(203)	(227)
	<u>16,813</u>	<u>12,471</u>
Cash flow from operating activities	<u>16,813</u>	<u>12,471</u>
FINANCING ACTIVITIES		
Interest on reserve	989	594
Reserve expenditures	(37,774)	(5)
	<u>(36,785)</u>	<u>589</u>
Cash flow from (used by) financing activities	<u>(36,785)</u>	<u>589</u>
INCREASE (DECREASE) IN CASH FLOW	(19,972)	13,060
Cash - beginning of year	<u>318,257</u>	<u>305,197</u>
CASH - END OF YEAR	\$ 298,285	\$ 318,257
CASH CONSISTS OF:		
Cash	\$ 157,279	\$ 140,466
Restricted cash-reserve	<u>141,006</u>	<u>177,791</u>
	<u>\$ 298,285</u>	<u>\$ 318,257</u>

See notes to financial statements

WINTERGREEN WOODS WATER UTILITY LTD.

Notes to Financial Statements

Year Ended December 31, 2019

1. NATURE OF ORGANIZATION

Wintergreen Woods Water Utility Ltd. the "Organization" was formed to provide water to the residence of the rural area of Wintergreen and was registered under the Rural Utilities Act on July 9, 1990. The Organization is a non-profit organization and exempt from tax under the income tax under section 149(1) of the Income Tax Act.

2. BASIS OF PRESENTATION

These financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash, restricted cash and cash equivalents include amounts on deposit with financial institutions and deposits in T-bill savings accounts. Cash and cash equivalents exclude T-bills savings account that are unavailable for current use because they are a restricted reserve.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is recorded at the following rates, which have been established by estimates of useful lives.

Water treatment facility	30 years straight-line method
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Revenue recognition

The Organization earns substantially all of its revenue from water fees it provides to its customers. Revenue is recognized at the time the services are provided to customers and collection is reasonably assured.

The Organization recognizes restricted contributions using the deferral method. The purpose of the restricted reserve is for future capital purchases or improvements which may be required for the water treatment plant. Before monies can be utilized from the reserve, board approval is required.

The Organization recognizes other revenue when they are earned and collection is reasonably assured.

Donated goods and services

Volunteers contribute numerous hours per year to assist the Organization in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

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WINTERGREEN WOODS WATER UTILITY LTD.

Notes to Financial Statements

Year Ended December 31, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

When preparing financial statements according to Canadian accounting standards for not-for-profit organizations, management make estimates and assumptions that affect the reported amounts of revenues and expenses during the year, the reported amounts of assets and liabilities at the date of the financial statements, and the disclosure of contingent assets and liabilities at the date of the financial statements. Management bases their assumptions on a number of factors including historical experience, current events, actions that the Organization may undertake in the future, and other assumptions believed reasonable under the circumstances. Material measurement uncertainties include estimates of useful lives of capital assets and estimates of collectability of accounts receivable. Actual results could differ from our estimates; the resolution of these uncertainties will be determined by future events.

Financial instruments

Financial assets and liabilities are measured initially at fair value. Subsequent measurement is at amortized cost.

Financial assets measured at amortized cost consist of cash, restricted cash and accounts receivable.

Financial liabilities measured at amortized cost consist of the accounts payable and accrued liabilities.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Water treatment facility	\$ 805,559	\$ 575,928	\$ 229,631	\$ 256,483

5. RESTRICTED CASH

In accordance with the Alberta Rural Utilities Act, the Organization is required to maintain a reserve for the replacement, extension or increase in capacity of its works. Restricted reserve funds are held in separate T-bill savings accounts and their cost approximates their fair market value.

	2019	2018
Restricted cash-reserve	\$ 141,006	\$ 177,791

WINTERGREEN WOODS WATER UTILITY LTD.

Notes to Financial Statements

Year Ended December 31, 2019

6. DEFERRED CONTRIBUTIONS

Under the Alberta Rural Utilities Act, the Organization is required to maintain a reserve for future capital expenditures. The members contribute to this reserve when they join the water co-operative.

Deferred contributions represents the unexpended portion of the funds as at December 31. During the year, there were no reserve contributions received (2018 - \$20,000), and \$989 (2018 - \$594) in interest was earned. During the year, \$37,774 reserve funds (2018 - \$5) were used to do major repairs and maintenance and no bank charges (2018 - \$10) were incurred.

	2019	2018
Beginning balance	\$ 177,791	\$ 157,203
Received from operating transfers, contributions and interest	989	20,593
Funds used	(37,774)	(5)
Ending balance	\$ 141,006	\$ 177,791

7. SUBSEQUENT EVENTS

On March 17, 2020, the Government of Alberta declared a public health emergency in response to the Covid-19 pandemic. The global pandemic has disrupted economic activities and supply chains. Although the effect of the Covid-19 pandemic is expected to be temporary, given the dynamic nature of the circumstances, it may have an impact on some of the revenue streams and expenses of the Organization.

8. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following describes the exposures to those risks, how they arise, any changes in risk exposures from the previous period, and any concentrations of risk.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risks relate to its accounts receivable. A significant portion of the Organization's receivables is concentrated in the Resort of Canadian Rockies.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly from its accounts payable.

Subsequent to year end, the Society's credit and liquidity risk have increased due to the possible delays in the collection of funds from customers.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation. Figures for the December 31, 2018 yearend were audited by another professional accountant.