
Wetaskiwin and Area Lodge Authority
Financial Statements
For the Year Ended December 31, 2017

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of:
Wetaskiwin Area Lodge Authority**

We have audited the accompanying financial statements of the Wetaskiwin Area Lodge Authority, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Wetaskiwin Area Lodge Authority as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with the Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of Wetaskiwin Area Lodge Authority for the year ended December 31, 2016 were audited by another accounting firm who expressed an unmodified opinion on those statements in their report dated April 5, 2017.

Lethbridge, Alberta
April 4, 2018

A handwritten signature in black ink that reads "Avail LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

Wetaskiwin and Area Lodge Authority
Statement of Financial Position
As At December 31, 2017

	2017	2016
Assets		
Current		
Cash and cash equivalents (Note 3)	\$ 1,078,762	\$ 967,065
Accounts receivable (Note 4)	38,926	137,065
Prepays	<u>12,210</u>	<u>7,081</u>
	1,129,898	1,111,211
Tangible capital assets (Note 5)	<u>12,733,974</u>	<u>13,324,594</u>
Total Assets	<u>\$ 13,863,872</u>	<u>\$ 14,435,805</u>
Liabilities		
Current		
Accounts payable and accruals (Note 6)	\$ 88,379	\$ 111,290
Unearned income	47,165	1,944
Long term debt, current portion (Note 9)	<u>246,179</u>	<u>235,720</u>
	<u>381,723</u>	<u>348,954</u>
Deferred contributions related to capital assets (Note 8)	6,835,833	7,040,908
Long term debt (Note 9)	<u>6,592,662</u>	<u>6,838,842</u>
	<u>13,428,495</u>	<u>13,879,750</u>
Net Assets		
Unrestricted net assets	972,392	976,016
Internally restricted net assets (Note 10)	21,962	21,962
Net assets invested in capital assets	<u>(940,700)</u>	<u>(790,877)</u>
	<u>53,654</u>	<u>207,101</u>
Total Liabilities and Net Assets	<u>\$ 13,863,872</u>	<u>\$ 14,435,805</u>

SIGNED *Chairman of the Board of Directors*



SIGNED *Member of the Board of Directors*



Wetaskiwin & Area Lodge Authority
Statement of Changes in Net Assets
For the Year Ended December 31, 2017

	2017			2016	
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 10)	Net Assets Invested In Capital Assets	Total Net Assets	Total
Beginning balance	\$ 976,016	\$ 21,962	\$ (790,877)	\$ 207,101	\$ 156,810
Excess of revenues over expenses	(153,447)	-	-	(153,447)	50,291
Amortization of capital assets	612,397		(612,397)		
Purchase of capital assets	(21,779)		21,779		
Repayment of long term debt	(235,720)		235,720		
Amortization of deferred capital contribution	(205,075)		205,075		
Ending balance	<u>\$ 972,392</u>	<u>\$ 21,962</u>	<u>\$ (940,700)</u>	<u>\$ 53,654</u>	<u>\$ 207,101</u>

Wetaskiwin and Area Lodge Authority
Statement of Operations
For the Year Ended December 31, 2017

	2017 Actual	2017 Budget (Unaudited)	2016 Actual
Revenue			
Accommodation	\$ 1,778,826	\$ 1,755,350	\$ 1,828,223
Grants	458,479	506,511	510,134
Recoveries	165,873	163,382	173,587
Health services funding	235,325	221,210	225,245
Interest and miscellaneous income	9,499	4,000	4,460
Amortization of deferred contributions	205,075	-	205,075
	<u>2,853,077</u>	<u>2,650,453</u>	<u>2,946,724</u>
Expenses			
Building and ground maintenance	172,283	120,584	169,289
Conferences and travel	7,013	-	4,704
Amortization of tangible capital assets	612,397	-	613,260
Equipment repairs and maintenance	18,500	-	5,643
Food and kitchen supplies	404,724	513,974	432,086
Interest on long term debt	306,664	310,000	315,483
Insurance	3,279	-	12,600
Laundry and linen supplies	4,714	-	3,627
Administration management	234,228	281,674	227,400
General administration	32,093	-	23,876
Professional fees	8,700	-	13,248
Small equipment	2,420	-	1,475
Telephone	25,558	-	24,527
Utilities	193,821	203,711	180,939
Wages and benefits	1,855,134	1,760,722	1,743,277
	<u>3,881,528</u>	<u>3,190,665</u>	<u>3,771,434</u>
Deficiency of revenue over expenses before requisition	(1,028,451)	(540,212)	(824,710)
Requisition (Note 13)	<u>875,004</u>	<u>875,000</u>	<u>875,001</u>
Excess (deficiency) of revenue over expenses	<u>\$ (153,447)</u>	<u>\$ 334,788</u>	<u>\$ 50,291</u>

Wetaskiwin and Area Lodge Authority
Statement of Cash Flows
For the Year Ended December 31, 2017

	2017	2016
Cash provided (used) by operating activities:		
Excess of revenue over expenses	\$ (153,447)	\$ 50,291
Items not involving cash:		
Amortization of tangible capital assets	612,397	613,260
Amortization of deferred capital contributions	<u>(205,075)</u>	<u>(205,075)</u>
	253,875	458,476
Changes in operating net assets:		
Accounts receivable	98,141	(147,876)
Prepays	(5,129)	(187)
Accounts payable and accruals	(22,910)	22,518
Unearned income and deferred contributions	<u>45,221</u>	<u>1,944</u>
	<u>369,198</u>	<u>334,875</u>
Cash provided (used) by financing activities:		
Long term debt principal repaid	<u>(235,720)</u>	<u>(225,705)</u>
Cash provided (used) by investing activities:		
Purchase of tangible capital assets	<u>(21,779)</u>	<u>-</u>
Increase in cash during the year	111,699	109,170
Cash - beginning of year	<u>967,065</u>	<u>857,895</u>
Cash - end of year	<u>\$ 1,078,762</u>	<u>\$ 967,065</u>

Wetaskiwin and Area Lodge Authority
Notes to the Financial Statements
For the Year Ended December 31, 2017

1. Nature of Operations:

Wetaskiwin and Area Lodge Authority (WALA) was established as a management body by Ministerial Order, pursuant to the Alberta Housing Act. It is responsible for the operation and administration of Peace Hills Lodge in Wetaskiwin, Alberta and West Pine Lodge in Winfield, Alberta.

2. Significant Accounting Policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

a) Use of Estimates:

The preparation of these statements requires the management body to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statements, and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates include estimated useful lives of property and equipment, and current portion of long term debt. Actual results could differ from these estimates.

b) Revenue Recognition:

The management body follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including accommodation, recoveries and health services funding, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue at the same rate of amortization as the related acquired capital assets. Provincial government grants are recognized as revenue in the year in which the related expenses are incurred. Requisition revenue is recognized as income in the year for which the funding is requisitioned.

c) Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand and balances with banks and guaranteed investment certificates with original maturities of 3 months or less.

d) Contributed supplies and services:

The management body may recognize contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Wetaskiwin and Area Lodge Authority
Notes to the Financial Statements
For the Year Ended December 31, 2017

2. Significant Accounting Policies (continued):

e) Tangible capital assets:

Tangible capital assets acquired are recorded at cost. When the management body receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date. When fair value cannot be reasonably determined, the tangible capital asset is recorded at a nominal value. These assets are then amortized on the "straight-line" method over the estimated useful life of each asset using the following expected life ranges:

Land improvements	10 years
Buildings	40 years
Equipment	5 to 10 years

When the management body recognizes that a tangible capital asset no longer has any long-term service potential, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

f) Financial assets and liabilities:

Upon initial measurement, the management body's financial assets and liabilities are measured at fair value, which, in the case of financial assets or liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

At each reporting date, the management body measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets). The financial instruments measured at amortized cost are cash, accounts receivable, accounts payable and accruals, and long term debt.

With respect to financial assets measured at amortized cost, the management body assesses whether there are any indications of impairment. When there is a indication of impairment, and if the management body determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

g) Net assets invested in capital assets:

The management body has chosen to continue to treat net assets invested in capital assets as a separate component of net assets.

Wetaskiwin and Area Lodge Authority
Notes to the Financial Statements
For the Year Ended December 31, 2017

3. Cash and Cash Equivalents:

The Board of Wetaskiwin and Area Lodge Authority has internally restricted \$21,962 of cash for resident life enhancement purposes (see also Note 10).

4. Accounts Receivable:

	2017	2016
Due from Bethany Nursing Home of Camrose, Alberta	\$ -	\$ 7,255
Resident rents receivable	38,032	31,629
GST rebate receivable	-	7,090
Interest receivable	894	148
Grant funding receivable	<u>-</u>	<u>90,943</u>
	<u>\$ 38,926</u>	<u>\$ 137,065</u>

5. Tangible Capital Assets:

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 175,000	\$ -	\$ 175,000	\$ 175,000
Land improvements	1,302,840	868,560	434,280	564,564
Buildings	15,103,117	3,296,834	11,806,283	12,173,464
Work in Progress	4,400	-	4,400	-
Equipment	<u>1,033,659</u>	<u>719,648</u>	<u>314,011</u>	<u>411,566</u>
	<u>\$ 17,619,016</u>	<u>\$ 4,885,042</u>	<u>\$ 12,733,974</u>	<u>\$ 13,324,594</u>

6. Accounts Payable and Accruals:

	2017	2016
Accounts payable	\$ 4,533	\$ 27,814
Accrued expenses	7,500	5,850
Accrued interest on long term debt	<u>76,346</u>	<u>77,626</u>
	<u>\$ 88,379</u>	<u>\$ 111,290</u>

7(c).

Wetaskiwin and Area Lodge Authority
Notes to the Financial Statements
For the Year Ended December 31, 2017

7. Related Party Transactions:

The Bethany Nursing Home of Camrose, Alberta acts as Chief Administrative Officer (CAO) for WALA providing management, administrative, and operational support for the organization.

Bethany Nursing Home of Camrose, Alberta collects accommodation fees and pays all expenditures on behalf of the lodges and is reimbursed monthly. As at December 31, 2017, the amount due from the management body for expenditures incurred for the lodges amounted to \$0 (2016 - \$7,255).

The lodges paid \$107,748 (2016 - \$105,000) for shared administrative services and \$126,480 (2016 - \$122,400) for management fees. These transactions were in the normal course of operations and were recorded at the exchange amount, which is the amount agreed upon by the related parties.

8. Deferred Contributions - Tangible Capital Assets:

Deferred contributions related to tangible capital assets represent restricted contributions with which some of the organization's capital assets were purchased. The changes in the deferred contributions balance are as follows.

	2017	2016
Deferred balance, beginning of year	\$7,040,908	\$7,295,747
Less: adjustment for prior year	-	(49,764)
Less: amortization	<u>(205,075)</u>	<u>(205,075)</u>
Deferred balance, end of year	<u>\$6,835,833</u>	<u>\$7,040,908</u>

Wetaskiwin and Area Lodge Authority
Notes to the Financial Statements
For the Year Ended December 31, 2017

9. Long Term Debt:	2017	2016
County of Wetaskiwin, member of Wetaskiwin and Area Lodge Authority	\$ 6,838,841	\$ 7,074,561
Less: current portion	<u>(246,179)</u>	<u>(235,720)</u>
	<u>\$ 6,592,662</u>	<u>\$ 6,838,841</u>

The loan bears interest at 4.389%, and is repayable in blended semi-annual instalments of \$271,832 due March 2036. The collateral security lodged by the organization to support the long term debt is a collateral mortgage over land with a carrying value of \$175,000, a general security agreement covering all present and after acquired personal property, and an assignment of rents and leases.

Principal payments are estimated as:

2018	\$	246,179
2019		257,103
2020		268,511
2021		280,425
2022		292,868
Subsequent years		<u>5,493,755</u>
		<u>\$ 6,838,841</u>

10. Net Assets Internally Restricted:

Internally restricted funds are not available for unrestricted purposes without the approval of the Wetaskiwin and Area Lodge Authority Board of Directors. Funds are restricted for resident life enhancement activities and expenditures.

Wetaskiwin and Area Lodge Authority
Notes to the Financial Statements
For the Year Ended December 31, 2017

11. Financial Instruments:

The management body maintains a risk management framework to monitor, evaluate, and manage the principal risks assumed with financial instruments. The risks that arise from financial instruments include liquidity and market risk; market risk arises from changes in interest rates and other price risks.

Market risk

The management body's financial instruments expose it to market risk, in particular interest rate risk and other price risk, resulting from its operations. There has been no significant change in risk from the prior year.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is subject to a fair value risk on its fixed rate debt. The organization does not use derivative financial instruments to alter the effects of this risk.

Liquidity risk

Liquidity risk is the risk that the management body may encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. The management body's exposure to liquidity risk is dependent on the receipt of funds from a variety of sources, whether in the form of revenue or advances. There has been no significant change in risk from the prior year.

12. Comparative Figures

Certain comparative amounts for the prior year have been reclassified in this years financial statements. The reclassification has no effect on the surplus (deficiency) from operations or the net assets of the organization as previously reported.

13. Municipal Requisitions:

	2017	2016
County of Wetaskiwin	\$ 570,944	\$ 575,488
City of Wetaskiwin	260,093	256,200
Town of Millet	<u>43,967</u>	<u>43,313</u>
	<u>\$ 875,004</u>	<u>\$ 875,001</u>

Peace Hills Lodge
Schedule of Operations
For the Year Ended December 31, 2017

	2017 Actual	2017 Budget (Unaudited)	2016 Actual
Revenue			
Accommodation	\$ 1,364,052	\$ 1,185,236	\$ 1,334,942
Grants	354,698	342,003	364,633
Recoveries	156,253	110,317	158,877
Interest and miscellaneous income	7,121	2,702	2,683
Amortization of deferred contributions	<u>205,075</u>	<u>-</u>	<u>205,075</u>
	<u>2,087,199</u>	<u>1,640,258</u>	<u>2,066,210</u>
Expenses			
Building and ground maintenance	144,707	81,420	123,110
Conferences and travel	3,599	-	1,648
Amortization of tangible capital assets	577,678	-	584,333
Equipment repairs and maintenance	15,349	-	5,316
Food and kitchen supplies	325,842	347,042	348,020
Interest on long term debt	306,664	310,000	315,483
Insurance	3,109	-	11,925
Laundry and linen supplies	1,450	-	1,815
Administration management	148,776	-	144,900
General administration	17,521	190,190	15,707
Professional fees	4,350	-	8,276
Small equipment	2,420	-	1,016
Telephone	17,762	-	15,801
Utilities	136,143	137,548	126,693
Wages and benefits	<u>1,113,111</u>	<u>1,188,864</u>	<u>989,637</u>
	<u>2,818,481</u>	<u>2,255,064</u>	<u>2,693,680</u>
Deficiency of revenue over expenses before requisitions	<u>\$ (731,282)</u>	<u>\$ (614,806)</u>	<u>\$ (627,470)</u>

8(a).

West Pine Lodge
Schedule of Operations
For the Year Ended December 31, 2017

	2017 Actual	2017 Budget (Unaudited)	2016 Actual
Revenue			
Accommodation	\$ 414,774	\$ 570,114	\$ 493,281
Grants	103,781	164,508	145,501
Recoveries	9,619	43,321	14,709
Funding from Alberta Health Services	235,325	221,210	225,245
Interest and miscellaneous income	<u>2,378</u>	<u>11,042</u>	<u>1,777</u>
	<u>765,877</u>	<u>1,010,195</u>	<u>880,513</u>
Expenses			
Building and ground maintenance	27,575	39,164	46,180
Conferences and travel	3,414	-	3,056
Amortization of tangible capital assets	34,720	-	28,927
Equipment repairs and maintenance	3,150	-	328
Food and kitchen supplies	78,882	166,932	84,066
Insurance	170	-	675
Laundry and linen supplies	3,264	-	1,811
Administration management	85,452	-	82,500
General administration	14,571	91,484	8,169
Professional fees	4,350	-	4,973
Small equipment	-	-	459
Telephone	7,796	-	8,728
Utilities	57,678	66,163	54,246
Wages and benefits	<u>742,024</u>	<u>571,858</u>	<u>753,640</u>
	<u>1,063,046</u>	<u>935,601</u>	<u>1,077,758</u>
Deficiency of revenue over expenses before requisitions	<u>\$ (297,169)</u>	<u>\$ 74,594</u>	<u>\$ (197,245)</u>

8(b).