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**WETASKIWIN AREA LODGE AUTHORITY**

**FINANCIAL STATEMENTS**

**For the year ended December 31, 2018**

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**WETASKIWIN AREA LODGE AUTHORITY**  
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December 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Wetaskiwin Area Lodge Authority

### *Report on the Audit of the Financial Statements*

#### *Opinion*

We have audited the financial statements of Wetaskiwin Area Lodge Authority, which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of changes in net assets 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 management body as at December 31, 2018, 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 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 management body 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 opinion.

#### *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 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 management body'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 management body or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the management body'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:



CHARTERED PROFESSIONAL ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT, continued**

- ♦ 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 management body'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 management body'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 management body 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.

March 27, 2019

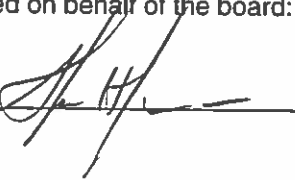
*Avail LLP*  
Chartered Professional Accountants

**WETASKIWIN AREA LODGE AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2018

	2018	2017
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 149,160	\$ 1,078,762
Short term investments (Note 4)	1,100,000	-
Accounts receivable (Note 5)	55,323	38,926
Prepays	14,860	12,210
	1,319,343	1,129,898
<b>Tangible capital assets (Note 6)</b>	<b>12,148,099</b>	<b>12,733,974</b>
	<b>\$ 13,467,442</b>	<b>\$ 13,863,872</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 110,149	\$ 88,379
Unearned income	1,437	47,165
Current portion of long-term debt (Note 9)	257,103	246,179
	368,689	381,723
<b>Long-term debt (Note 9)</b>	<b>6,335,559</b>	<b>6,592,662</b>
<b>Deferred contributions related to capital assets (Note 8)</b>	<b>6,630,758</b>	<b>6,835,833</b>
	<b>12,966,317</b>	<b>13,428,495</b>
<b>Net assets</b>		
Unrestricted	1,185,794	972,392
Internally restricted (Note 11)	21,962	21,962
Invested in capital assets	(1,075,320)	(940,700)
	132,436	53,654
	<b>\$ 13,467,442</b>	<b>\$ 13,863,872</b>

Approved on behalf of the board:

Director



Director



**WETASKIWIN AREA LODGE AUTHORITY**  
**STATEMENT OF OPERATIONS**  
For the year ended December 31, 2018

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
<b>Revenue</b>			
Accommodation	\$ 1,732,550	\$ 1,821,528	\$ 1,778,826
Lodge assistance program grants	525,250	463,805	458,479
Health services funding	236,850	230,004	235,325
Recoveries	162,700	198,867	165,873
Capital maintenance and renewal program grant	-	45,000	-
Interest and miscellaneous	-	18,407	9,499
	<u>2,657,350</u>	<u>2,777,611</u>	<u>2,648,002</u>
<b>Expenses</b>			
Wages and benefits	1,903,000	1,802,846	1,855,134
Food and kitchen supplies	358,500	426,027	404,724
Interest on long-term debt	-	317,590	306,664
Administration management	276,350	239,004	234,228
Utilities	227,150	182,861	193,821
Building and ground maintenance	123,000	106,250	172,283
Equipment repairs and maintenance	75,050	22,118	18,500
General administration	-	21,782	32,093
Telephone	-	21,696	25,558
Conferences and travel	-	11,255	7,013
Professional fees	-	10,165	8,700
Laundry and linen supplies	-	6,379	4,714
Small equipment	-	3,110	2,420
Insurance	-	39	3,279
	<u>2,963,050</u>	<u>3,171,122</u>	<u>3,269,131</u>
<b>Deficiency of revenue over expenses before municipal requisitions and other items</b>	<b>(305,700)</b>	<b>(393,511)</b>	<b>(621,129)</b>
Municipal requisitions (Note 13)	874,950	875,000	875,004
<b>Excess of revenue over expenses before amortization</b>	<b>569,250</b>	<b>481,489</b>	<b>253,875</b>
Amortization of deferred capital contributions	-	205,075	205,075
Amortization of tangible capital assets	-	(607,782)	(612,397)
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 569,250</b>	<b>\$ 78,782</b>	<b>\$ (153,447)</b>

**WETASKIWIN AREA LODGE AUTHORITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
For the year ended December 31, 2018

	Unrestricted Net Assets	Internally Restricted Net Assets (Note 11)	Net Assets Invested in Capital Assets	Total 2018	Total 2017
<b>Balance, beginning of year</b>	\$ 972,392	\$ 21,962	\$ (940,700)	\$ 53,654	\$ 207,101
<b>Excess (deficiency) of revenue over expenses</b>	78,782	-	-	78,782	(153,447)
<b>Amortization of tangible capital assets</b>	607,782	-	(607,782)	-	-
<b>Amortization of deferred capital contributions</b>	(205,075)	-	205,075	-	-
<b>Repayment of long term debt</b>	(246,179)	-	246,179	-	-
<b>Purchase of tangible capital assets</b>	(21,908)	-	21,908	-	-
<b>Balance, ending of year</b>	<u>\$ 1,185,794</u>	<u>\$ 21,962</u>	<u>\$ (1,075,320)</u>	<u>\$ 132,436</u>	<u>\$ 53,654</u>

**WETASKIWIN AREA LODGE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2018

	2018	2017
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ 78,782	\$ (153,447)
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	607,782	612,397
Amortization of deferred capital contributions	(205,075)	(205,075)
	481,489	253,875
Change in operating net assets		
Accounts receivable	(16,396)	98,138
Prepays	(2,650)	(5,129)
Accounts payable and accrued liabilities	21,770	(22,910)
Unearned income	(45,728)	45,221
	438,485	369,195
<b>Cash flows from financing activities</b>		
Repayment of long term debt	(246,179)	(235,720)
<b>Cash flows from investing activity</b>		
Purchase of tangible capital assets	(21,908)	(21,778)
Purchase of short term investments	(1,100,000)	-
	(1,121,908)	(21,778)
<b>Increase (decrease) in cash and cash equivalents</b>	(929,602)	111,697
<b>Cash and cash equivalents, beginning of year</b>	1,078,762	967,065
<b>Cash and cash equivalents, end of year</b>	\$ 149,160	\$ 1,078,762



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**WETASKIWIN AREA LODGE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

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**1. Nature of operations**

Wetaskiwin 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. The management body qualifies as a not-for-profit organization as defined in the Income Tax Act and, as such, is exempt from income taxes.

**2. Significant accounting policies**

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

(a) 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.

Externally 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.

(b) Cash and cash equivalents

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

(c) 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. The annual amortization rates are as follows:

Land improvements	Straight-line	10 years
Buildings	Straight-line	40 years
Equipment	Straight-line	5 to 10 years

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**WETASKIWIN AREA LODGE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2018**

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**2. Significant accounting policies, continued**

(d) Net assets invested in capital assets

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

(e) Contributed materials and services

Contributions of materials and services are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations, and would otherwise have been purchased.

(f) Financial instruments

The management body initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The management body subsequently measures all its financial assets and financial liabilities at amortized cost. Financial instruments measured at amortized cost include cash and cash equivalents, accounts receivable, and accounts payable.

With respect to financial assets measured at amortized cost, the management body assesses whether there are any indications of impairment. When there is an 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) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**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 11).

**WETASKIWIN AREA LODGE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**4. Short term investments**

The short term investments are comprised of guaranteed investment certificates which mature on July 26 and December 6, 2019, with interest rates of 2.25% and 2.29% respectively.

**5. Accounts receivable**

	2018	2017
Resident receivable	\$ 34,184	\$ 38,032
Accrued interest receivable	2,542	894
GST receivable	18,597	-
	<u>\$ 55,323</u>	<u>\$ 38,926</u>

**6. Tangible capital assets**

	Cost	Accumulated Amortization	2018	2017
Land	\$ 175,000	\$ -	\$ 175,000	\$ 175,000
Land improvements	1,302,840	998,844	303,996	434,280
Buildings	15,124,325	3,676,779	11,447,546	11,806,283
Equipment	1,033,659	817,202	216,457	314,011
Work in progress	5,100	-	5,100	4,400
	<u>\$ 17,640,924</u>	<u>\$ 5,492,825</u>	<u>\$ 12,148,099</u>	<u>\$ 12,733,974</u>

**7. Accounts payable and accrued liabilities**

	2018	2017
Accounts payable, trade	\$ 5,198	\$ 4,533
Accrued interest on long term debt	96,451	76,346
Accrued expenses	8,500	7,500
	<u>\$ 110,149</u>	<u>\$ 88,379</u>

**8. Deferred contributions related to 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:

	2018	2017
Balance, beginning of year	\$ 6,835,833	\$ 7,040,908
Amortization of deferred capital contributions	(205,075)	(205,075)
Balance, end of year	<u>\$ 6,630,758</u>	<u>\$ 6,835,833</u>

**WETASKIWIN AREA LODGE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**9. Long-term debt**

	2018	2017
County of Wetaskiwin		
This loan is repayable at \$271,832 semi-annually including interest at 4.389%. The loan matures in 2036.	\$ 6,592,662	\$ 6,838,841
Less current portion	257,103	246,179
	<b>\$ 6,335,559</b>	<b>\$ 6,592,662</b>

Security pledged consists of a collateral mortgage over land with a carrying value of \$175,000, a general security agreement covering all present and acquired personal property, and an assignment of rents and leases.

Estimated principal re-payments are as follows:

2019	\$	257,103
2020		268,511
2021		280,425
2022		292,868
2023		305,863
Subsequent		4,930,789
	<b>\$</b>	<b>6,335,559</b>

**10. Related party transactions**

The Bethany Nursing Home of Camrose, Alberta acts as Chief Administrative Officer (CAO) for Wetaskiwin Area Lodge Authority 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, 2018, the amount due from the management body for expenditures incurred for the lodges amounted to \$0 (2017 - \$0).

The lodge paid \$110,004 (2017 - \$107,748) for shared administrative services and \$129,000 (2017 - \$126,480) for management fees to Bethany Nursing Home of Camrose, Alberta for the year ended December 31, 2018. 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.

**WETASKIWIN AREA LODGE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**11. Internally restricted net assets**

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 purposes.

**12. 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.

**Liquidity risk**

Liquidity risk is the risk 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.

**Interest rate risk**

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.

**13. Municipal requisitions**

	2018	2017
County of Wetaskiwin	\$ 558,311	\$ 570,944
City of Wetaskiwin	272,643	260,093
Town of Millet	44,046	43,967
	<b>\$ 875,000</b>	<b>\$ 875,004</b>

**WETASKIWIN AREA LODGE AUTHORITY**  
**SCHEDULE OF OPERATIONS - PEACE HILLS LODGE**  
For the year ended December 31, 2018

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
<b>Revenue</b>			
Accommodation	\$ 1,384,150	\$ 1,396,499	\$ 1,364,052
Lodge assistance program grant	352,350	352,111	354,698
Recoveries	121,900	190,964	156,253
Capital maintenance and renewal grant	-	45,000	-
Interest and miscellaneous	-	16,583	7,121
	<u>1,858,400</u>	<u>2,001,157</u>	<u>1,882,124</u>
<b>Expenses</b>			
Wages and benefits	1,145,500	1,078,161	1,113,111
Food and kitchen supplies	301,400	358,755	325,842
Interest on long-term debt	-	317,590	306,664
Administration management	173,250	152,004	148,776
Utilities	158,650	123,780	136,143
Building and ground maintenance	79,850	87,609	144,707
General administration	-	15,084	17,521
Telephone	-	14,127	17,762
Equipment repairs and maintenance	65,000	13,868	15,349
Laundry and linen supplies	-	5,369	1,450
Professional fees	-	5,083	4,350
Conferences and travel	-	3,313	3,599
Furniture and equipment	-	1,313	2,420
Insurance	-	39	3,109
	<u>1,923,650</u>	<u>2,176,095</u>	<u>2,240,803</u>
<b>Deficiency of revenue over expenses before amortization</b>	<u>(65,250)</u>	<u>(174,938)</u>	<u>(358,679)</u>
Amortization of deferred capital contributions	-	(205,075)	(205,075)
Amortization of tangible capital assets	-	577,678	577,678
	<u>-</u>	<u>372,603</u>	<u>372,603</u>
<b>Deficiency of revenue over expenses</b>	<u>\$ (65,250)</u>	<u>\$ (547,541)</u>	<u>\$ (731,282)</u>

**WETASKIWIN AREA LODGE AUTHORITY**  
**SCHEDULE OF OPERATIONS - WEST PINE LODGE**  
For the year ended December 31, 2018

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
<b>Revenue</b>			
Accommodation	\$ 348,400	\$ 424,839	\$ 414,774
Funding from Alberta Health Services	236,850	226,943	235,325
Lodge assistance program grant	172,900	114,756	103,781
Recoveries	40,800	7,903	9,619
Interest and miscellaneous	-	2,014	2,378
	<u>798,950</u>	<u>776,455</u>	<u>765,877</u>
<b>Expenses</b>			
Wages and benefits	757,500	724,685	742,024
Administration management	103,100	87,000	85,452
Food and kitchen supplies	57,100	67,273	78,882
Utilities	68,500	59,081	57,678
Building and ground maintenance	43,150	18,804	27,575
General administration	-	8,615	14,571
Equipment repairs and maintenance	10,050	8,236	3,150
Telephone	-	7,571	7,796
Conferences and travel	-	5,876	3,414
Professional fees	-	5,083	4,350
Furniture and equipment	-	1,796	-
Laundry and linen supplies	-	1,010	3,264
Insurance	-	-	170
	<u>1,039,400</u>	<u>995,030</u>	<u>1,028,326</u>
<b>Deficiency of revenue over expenses before amortization</b>	(240,450)	(218,575)	(262,449)
Amortization of tangible capital assets	-	30,105	34,720
<b>Excess (deficiency) of revenue over expenses</b>	<u>\$ (240,450)</u>	<u>\$ (248,680)</u>	<u>\$ (297,169)</u>