

WETASKIWIN AND AREA LODGE AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Wetaskiwin and Area Lodge Authority (the "Management Body"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, 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 Management Body as at December 31, 2019, and the results of its 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.

Other Matter

The financial statements of the Management Body for the year ended December 31, 2018 were audited by another public accounting firm who expressed an unmodified opinion on those statements on March 27, 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 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:

- 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.

Lacombe, Alberta

April 15, 2020

MNP LLP

Chartered Professional Accountants

MNP

WETASKIWIN AND AREA LODGE AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at December 31, 2019

	2019	2018
		<i>(Restated, Note 15)</i>
ASSETS		
Current		
Cash and cash equivalents <i>(Note 3)</i>	\$ 416,959	\$ 272,858
Short term investments <i>(Note 4)</i>	700,000	1,100,000
Accounts receivable <i>(Note 5)</i>	99,696	55,323
Prepaid expense	14,172	14,860
	1,230,827	1,443,041
Tangible capital assets <i>(Note 6)</i>	11,501,095	12,148,099
	\$ 12,731,922	\$ 13,591,140

LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities <i>(Note 7)</i>	\$ 274,525	\$ 233,847
Unearned income	2,051	1,437
Current portion of long-term debt <i>(Note 9)</i>	268,511	257,103
	545,087	492,387
Long-term debt <i>(Note 9)</i>	6,067,048	6,335,559
Deferred contributions related to capital assets <i>(Note 8)</i>	6,425,683	6,630,758
	13,037,818	13,458,704
Net assets		
Unrestricted	(130,530)	1,185,794
Internally restricted <i>(Note 11)</i>	1,084,782	21,962
Invested in capital assets	(1,260,148)	(1,075,320)
	(305,896)	132,436
	\$ 12,731,922	\$ 13,591,140

Approval on behalf of the board:

 Director

 Director

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WETASKIWIN AND AREA LODGE AUTHORITY
STATEMENT OF OPERATIONS
For the year ended December 31, 2019

	2019 Budgeted (Unaudited)	2019	2018
Revenue			
Accommodation	\$ 1,840,000	\$ 1,787,007	\$ 1,821,528
Lodge Assistance Program Grants	478,350	453,921	463,805
Capital maintenance and renewal program grant	-	-	45,000
Health Service Funding	235,650	-	230,004
Recoveries	195,070	215,795	200,114
Interest and miscellaneous	1,180	29,587	17,160
	<u>2,750,250</u>	<u>2,486,311</u>	<u>2,777,612</u>
Expenses			
Administration management	\$ 204,237	\$ 199,059	\$ 239,004
Building and ground maintenance	118,000	139,711	86,027
Conference and travel	-	9,002	10,484
Equipment repairs and maintenance	19,311	7,672	22,104
Food and kitchen supplies	455,603	420,788	426,027
General administration	18,433	45,334	38,032
Insurance	-	9,035	-
Interest on long-term debt	286,058	273,847	317,590
Laundry and linen supplies	18,377	12,225	14,788
Non-recurring maintenance projects	-	45,000	-
Professional fees	9,039	12,686	10,165
Small equipment	-	7,078	2,858
Telephone	23,088	15,506	21,698
Utilities	187,912	185,833	182,861
Wages and benefits	1,950,000	1,843,734	1,799,485
	<u>3,290,058</u>	<u>3,226,509</u>	<u>3,171,122</u>
Excess (deficiency) of revenue over expenses before municipal requisitions and other items	(539,808)	(740,198)	(393,511)
Municipal Requisitions (Note 13)	875,000	875,000	875,000
Loss on disposal of tangible capital assets	-	(12,919)	-
Extraordinary expense	-	(131,203)	-
Excess (deficiency) of revenue over expenses before amortization	335,192	(9,320)	481,489
Amortization of Deferred Capital Contributions	-	205,075	205,075
Amortization of Tangible Capital Assets	(410,000)	(634,086)	(607,782)
Excess (deficiency) of revenue over expenses	\$ (74,808)	\$ (438,331)	\$ 78,782

WETASKIWIN AND AREA LODGE AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS
For the year ended December 31, 2019

	2019			2018	
	Unrestricted Net Assets	Internally Restricted Net Assets <i>(Note 10)</i>	Net Assets Invested In Capital Assets	Total Net Assets	Total
Beginning balance	\$ 1,185,794	\$ 21,962	\$ (1,075,321)	\$ 132,435	\$ 53,654
Excess (deficiency) of revenues over expenses	(438,331)	-	-	(438,331)	78,782
Transfer to (from) internally restricted net assets	(1,062,820)	1,062,820	-	-	-
Gain (loss) on disposal tangible capital assets	12,919	-	(12,919)	-	-
Amortization of tangible capital assets	634,085	-	(634,085)	-	-
Repayment of long-term debt	(257,102)	-	257,102	-	-
Amortization of deferred capital contribution	(205,075)	-	205,075	-	-
Ending balance	<u>\$ (130,530)</u>	<u>\$ 1,084,782</u>	<u>\$ (1,260,148)</u>	<u>\$ (305,896)</u>	<u>\$ 132,436</u>

WETASKIWIN AND AREA LODGE AUTHORITY
STATEMENT OF CASH FLOW
For the year ended December 31, 2019

	2019	2018 <i>(Restated, Note 15)</i>
Cash flows from operating activities		
Excess of revenue over expenses	\$ (438,331)	\$ 78,782
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	12,919	-
Amortization of tangible capital assets	634,085	607,782
Amortization of deferred capital contributions	(205,075)	(205,075)
	3,598	481,489
Change in non-cash working capital items		
Accounts receivable	(44,374)	(16,396)
Prepaid expense	688	(2,650)
Accounts payable and accrued liabilities	40,677	145,468
Unearned income	614	(45,728)
	1,203	562,183
Cash flows from financing activities		
Repayment of long-term debt	(257,102)	(246,179)
Cash flows from investing activity		
Purchase of tangible capital assets	-	(21,908)
Proceeds from investments	400,000	(1,100,000)
	400,000	(1,121,908)
Increase (decrease) in cash and cash equivalents	144,101	(805,904)
Cash and cash equivalents, beginning of year	272,858	1,078,762
Cash and cash equivalents, end of year	\$ 416,959	\$ 272,858

Wetaskiwin and Area Lodge Authority

Notes to the Financial Statements

For the Year Ended December 31, 2019

1. Nature of operations:

Wetaskiwin and Area Lodge Authority (WALA), the management body, 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 have been 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 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.

The management body recognizes revenue as services are provided to the customers, collection of the receivable is probable, persuasive evidence of an arrangement exists and the sale price is fixed or determinable. Rent income is recognized monthly on a time proportioned basis.

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.

Municipal requisitions are recognized as revenue in the year in which the funding is requisitioned.

Investment income and other income is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Cash and cash equivalents:

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

2. Significant accounting policies *(continued from previous page):*

(c) Short term investments:

Short term investments are recorded at market value.

(d) 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	Straight -line	10 years
Buildings	Straight -line	40 years
Equipment	Straight -line	3 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.

A full year of amortization is calculated in the year of acquisition, no amortization is calculated in the year of disposal. Tangible assets acquired during the year but not placed into use during this time are not amortized in the year for acquisition.

(e) 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.

(f) 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.

2. Significant accounting policies (continued from previous page):

(g) Financial assets and liabilities:

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 liabilities at amortized cost (including any impairment in the case of financial assets). Financial instruments measured at amortized cost include cash and cash equivalents, accounts receivable and accounts payable. Short term investments are recorded at fair market value.

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.

(h) 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

3. 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.

4. Short term investment:

The short term investments are comprised of guaranteed investment certificates which mature on December 6, 2020, which have an interest rate of 2.01% (2018 – 2.25% to 2.29%).

5. Accounts receivable:

	2019		2018
Resident receivable	\$ 6,892	\$	34,184
GST Receivable	91,838		18,597
Accrued interest receivable	963		2,542
	\$ 99,696	\$	55,323

6. Tangible capital assets:

	Cost	Accumulated Amortization	2019	2018
Land	\$ 175,000	\$ -	\$ 175,000	\$ 175,000
Land improvements	1,302,840	1,129,128	173,712	303,996
Buildings	15,124,325	4,087,158	11,037,167	11,447,546
Equipment	943,891	828,675	115,216	216,457
Work in Progress	-	-	-	5,100
	<u>\$ 17,546,056</u>	<u>\$ 6,044,961</u>	<u>\$ 11,501,095</u>	<u>\$ 12,148,099</u>

7. Accounts payable and accrued liabilities:

	2019	2018 <i>(Restated, Note 15)</i>
Accrued expenses and prepaid rent	10,815	8,500
Trade payables	44,793	5,198
Due to Bethany Nursing Home of Camrose, Alberta	135,181	123,698
Accrued interest on long term debt	83,736	96,451
	<u>\$ 274,525</u>	<u>\$ 233,847</u>

8. Deferred contributions related to capital assets:

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

	2019	2018
Balance, beginning of year	\$ 6,630,758	\$ 6,835,833
Amortization of deferred capital contributions	(205,075)	(205,075)
Balance, end of year	<u>\$ 6,425,683</u>	<u>\$ 6,630,758</u>

9. Long-term debt:

	2019	2018
County of Wetaskiwin		
Loan is repayable in payments of \$271,832 semi-annually, including interest at 4.389%, due in 2036.	\$ 6,335,559	\$ 6,592,662
Less: current portion	268,511	257,103
	<u>\$ 6,067,048</u>	<u>\$ 6,335,559</u>

Security pledged consists of 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.

9. Long-term debt (continued from previous page):

Estimated principal re-payments are as follows:

2020	\$	268,511
2021		280,425
2022		292,868
2023		305,863
2024		319,435
Subsequent years		4,868,457
	\$	<u>6,335,559</u>

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 management body.

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, 2019, the amount due to The Bethany Nursing Home of Camrose, Alberta, included in accounts payable, for expenditures incurred for the lodges amounted to \$135,181 (2018 - \$123,698).

The lodges paid \$199,059 (2018 - \$110,004) for shared administrative services, \$0 (2018 - \$129,000) for management fees, included in administration management, to Bethany Nursing Home of Camrose, Alberta for the year ended December 31, 2019. 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.

11. 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 purposes and major capital projects.

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 credit liquidity and market risk; market risk arises from changes in interest rates and other price risks.

Credit risk

The management body is exposed to credit risk as it grants credit to its residents in the normal course of operations. The risk is mitigated by the fact that the receivables are from various residents and government agencies.

Accounts receivable from one government agency (2018 – one government agency) in connection with trade receivables represents 92% (2018 – 34%) of total accounts receivable at December 31. The management body believes there is minimal risk associated with the collection of these amounts. The balance of accounts receivable is widely distributed among the remainder of the management body's resident base.

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

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 management body is subject to a fair value risk on its fixed rate debt. The management body 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.

13. Municipal requisitions:

	2019		2018	
County of Wetaskiwin	\$	557,025	\$	558,311
City of Wetaskiwin		274,575		272,643
Town of Millet		43,400		44,046
	\$	875,000	\$	875,000

14. Comparative figures:

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

15. Subsequent events:

Subsequent to year end, the COVID-19 pandemic is causing significant financial market and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The management body continues to monitor and assess the impact COVID-19 will have on its activities. The extent of the effect of the COVID-19 pandemic on the management body is uncertain.

16. Restatement:

Prior year financial statements were restated due to the reclassification of outstanding payables to the Bethany Group in the quantity of \$123,698.

WETASKIWIN AND AREA LODGE AUTHORITY
SCHEDULE OF OPERATIONS - PEACE HILLS LODGE
For the year ended December 31, 2019

	2019 Budgeted (unaudited)	2019	2018
Revenue			
Accommodation	\$ 1,415,000	\$ 1,431,553	\$ 1,396,499
Lodge Assistance Program Grants	349,000	362,171	349,050
Capital maintenance and renewal program grant	-	-	45,000
Health Service Funding	188,050	207,886	3,061
Recoveries	700	20,416	191,167
Interest and miscellaneous	-	1,000	16,380
	<u>1,952,750</u>	<u>2,023,025</u>	<u>2,001,157</u>
Expenses			
Administration management	\$ 135,988	\$ 134,407	\$ 152,004
Building and ground maintenance	80,000	83,083	71,568
Conference and travel	-	6,042	3,936
Equipment repairs and maintenance	17,429	4,300	13,868
Food and kitchen supplies	372,929	350,103	358,755
General administration	14,833	26,498	27,361
Insurance	-	6,101	-
Interest on long-term debt	286,058	273,847	317,590
Laundry and linen supplies	15,673	7,861	10,487
Non-recurring maintenance projects	-	45,000	-
Professional fees	5,648	9,849	5,083
Small equipment	-	1,208	1,313
Telephone	15,336	8,203	14,127
Utilities	129,664	127,574	123,780
Wages and benefits	1,135,000	1,163,893	1,076,224
	<u>2,208,558</u>	<u>2,247,970</u>	<u>2,176,094</u>
Deficiency of revenue over expenses before municipal requisitions and other items	(255,808)	(224,945)	(174,937)
Municipal Requisitions (Note 12)	591,000	629,740	634,546
Loss on disposal of tangible capital assets		(12,919)	
Extraordinary expense		(89,354)	
Excess of revenue over expenses before amortization	335,192	302,522	459,609
Amortization of Deferred Capital Contributions		205,075	205,075
Amortization of Tangible Capital Assets	(377,500)	(573,545)	(577,678)
Excess (deficiency) of revenue over expenses	\$ (42,308)	\$ (65,948)	\$ 87,006

WETASKIWIN AND AREA LODGE AUTHORITY
SCHEDULE OF OPERATIONS - WEST PINE LODGE
For the year ended December 31, 2019

	2019 Budgeted (unaudited)	2019	2018
Revenue			
Accommodation	\$ 425,000	\$ 355,455	\$ 425,029
Lodge Assistance Program Grants	129,350	91,750	114,756
Capital maintenance and renewal program grant	235,650	-	226,943
Health Service Funding	7,020	7,909	8,947
Recoveries	480	8,172	250
Interest and miscellaneous	-	-	530
	<u>797,500</u>	<u>463,285</u>	<u>776,455</u>
Expenses			
Administration management	68,249	64,652	87,000
Building and ground maintenance	38,000	56,627	14,459
Conference and travel	-	2,959	6,548
Equipment repairs and maintenance	1,882	3,372	8,236
Food and kitchen supplies	82,674	70,685	67,273
General administration	3,600	18,836	10,671
Insurance	-	2,934	-
Laundry and linen supplies	2,704	4,364	4,302
Professional fees	3,391	2,837	5,083
Small equipment	-	5,871	1,545
Telephone	7,752	7,303	7,571
Utilities	58,248	58,259	59,081
Wages and benefits	815,000	679,840	723,261
	<u>1,081,500</u>	<u>978,539</u>	<u>995,029</u>
Deficiency of revenue over expenses before municipal requisitions and other items	(284,000)	(515,254)	(218,574)
Municipal Requisitions (Note 12)	284,000	245,260	240,454
Extraordinary expense	-	(41,849)	-
Excess (deficiency) of revenue over expenses before amortization	-	(311,843)	21,880
Amortization of Tangible Capital Assets	(32,500)	(60,540)	(30,105)
Deficiency of revenue over expenses	\$ (32,500)	\$ (372,383)	\$ (8,224)