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# **FOOTHILLS-OKOTOKS RECREATION SOCIETY**

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## **FINANCIAL STATEMENTS**

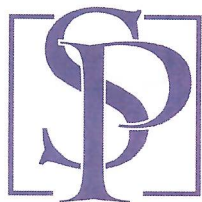
**DECEMBER 31, 2021**

# FOOTHILLS-OKOTOKS RECREATION SOCIETY

DECEMBER 31, 2021

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# SCASE & PARTNER

CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Members of Foothills-Okotoks Recreation Society:

### Opinion

We have audited the financial statements of Foothills-Okotoks Recreation Society, which comprise the statement of financial position as at December 31, 2021, and the statement of operations, statement of changes in net assets (deficit) and the statement 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 at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Canadian 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 Foothills-Okotoks Recreation Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate.

### 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 standards for not-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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's responsibility 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 Society'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 Society 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 Society 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Society to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Society audit. We remain solely responsible for our audit opinion.

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.

The engagement partner on the audit resulting in this independent auditor's report is Darryl Scase.

Calgary, Alberta  
March 28, 2022



Chartered Professional Accountants

# FOOTHILLS-OKOTOKS RECREATION SOCIETY

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

	2021	2020
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 3)	\$ 231,335	\$ 251,508
Restricted cash (Note 3)	741,562	687,078
Accounts receivable (Note 4)	157,524	158,009
Inventory	3,429	2,733
Goods and services tax receivable (Note 6)	19,607	21,028
Prepaid expenses	25,917	9,397
	1,179,374	1,129,753
<b>TANGIBLE CAPITAL ASSETS</b> (Note 5)	128,337	146,747
	\$ 1,307,711	\$ 1,276,500
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 83,338	\$ 60,964
<b>ADVANCES FROM STAKEHOLDERS</b> (Note 7)	3,079,003	2,687,723
<b>DEFERRED REVENUE</b> (Note 8)	150,514	90,655
	3,312,855	2,839,342
<b>NET DEFICIT</b>		
<b>NET ASSETS (DEFICIT)</b>	(3,025,978)	(2,529,792)
<b>EQUITY IN TANGIBLE CAPITAL ASSETS</b>	128,337	146,747
<b>CAPITAL RESERVE</b> (Note 9)	892,497	820,203
	(2,005,144)	(1,562,842)
	\$ 1,307,711	\$ 1,276,500

APPROVED ON BEHALF OF THE BOARD:

Director

Director

The notes form an integral part of these financial statements

# FOOTHILLS-OKOTOKS RECREATION SOCIETY

## STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
<b>REVENUE</b>		
Indoor field rentals	\$ 372,018	\$ 321,818
Wage subsidy, donations, parking rental and others	113,708	166,778
Lease revenue	62,160	54,390
Program registration	57,793	54,560
Bubble suit and equipment rental	6,274	6,392
Interest capital reserve bank and GIC	3,803	8,612
Room rentals	2,265	15,202
Naming rights revenue	1,616	160,605
Advertising other	1,195	13,404
Vending and food revenue	812	48,333
	621,644	850,094
<b>EXPENSES</b>		
Salaries and benefits	570,337	568,353
Utilities	125,562	117,629
Management fees	111,798	110,415
Repair and maintenance	87,303	135,488
Computer services	33,350	22,943
Insurance	22,617	23,267
Programming expenses	20,399	12,234
Amortization	18,409	15,669
Professional fees	16,403	10,330
Communications	13,960	13,054
Office	13,817	13,615
Interest and bank charges	12,266	10,169
Building inspection	6,951	1,163
Promotion and marketing	3,276	3,485
Training	2,611	302
Travel	2,155	1,851
Uniforms	1,884	2,244
Purchases - Food	698	26,098
Bad debts (recovery)	150	(866)
	1,063,946	1,087,443
<b>(DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ (442,302)</b>	<b>\$ (237,349)</b>

The notes form an integral part of these financial statements

# FOOTHILLS-OKOTOKS RECREATION SOCIETY

## STATEMENT OF CHANGES IN NET ASSETS (DEFICIT) FOR THE YEAR ENDED DECEMBER 31, 2021

	Net Deficit	Capital Reserve	Equity in Tangible Capital Assets	2021	2020
<b>NET (DEFICIT)</b> , beginning of year	\$(2,529,792)	\$ 820,203	\$ 146,747	\$(1,562,842)	\$(1,325,493)
(Deficiency) of revenue over expenses	(442,302)	-	-	(442,302)	(237,349)
Allocation of earnings					
Allocation of interest income	(5,419)	5,419	-	-	-
Amortization	18,410		(18,410)	-	-
Tangible capital assets expensed	6,951	(6,951)	-	-	-
Allocation to/from operating	(73,826)	73,826	-	-	-
<b>NET (DEFICIT)</b> , end of year	\$(3,025,978)	\$ 892,497	\$ 128,337	\$(2,005,144)	\$(1,562,842)

The notes form an integral part of these financial statements

# FOOTHILLS-OKOTOKS RECREATION SOCIETY

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Deficiency) of revenue over expenses for the year	\$ (442,302)	\$ (237,349)
Adjustments to reconcile excess (shortfall) of revenue over expenditures to net cash provided by operating activities:		
Amortization	18,409	15,669
<b>CHANGES IN NON-CASH WORKING CAPITAL ITEMS</b>		
Accounts receivable and GST receivable	1,905	(148,037)
Decrease (increase) in inventories	(698)	3,121
Prepaid expenses	(16,520)	14,353
Increase (decrease) in accounts payable and accrued liabilities	22,377	(110,176)
Deferred revenue	59,860	35,342
	(356,969)	(427,077)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from stakeholders	391,280	384,224
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets net of subsidy received	-	(32,885)
<b>INCREASE (DECREASE) IN CASH, for the year</b>	34,311	(75,738)
<b>CASH, beginning of year</b>	938,586	1,014,324
<b>CASH, end of year (Note 3)</b>	\$ 972,897	\$ 938,586

The notes form an integral part of these financial statements

# FOOTHILLS-OKOTOKS RECREATION SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

### INCORPORATION AND NATURE OF OPERATIONS

Foothills-Okotoks Recreation Society (the "Society") was incorporated on September 21, 2012 under the Societies Act of Alberta by the Foothills County (earlier M.D. of Foothills No. 31) and the Town of Okotoks. The Society's aim is to promote a healthy lifestyle, physical activity, and social connections in a safe, inviting and fun environment for the people and youth living primarily in the Okotoks and surrounding Foothills area. The Society began operations on September 9, 2014 and is exempt from income tax under Sec 149(1)(l) of the Income Tax Act (ITA).

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

(a) Use of estimates

The preparation of financial statements in conformity with Canadian standards 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. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are accounts receivable, accounts payable and accrued liabilities.

(b) Investments

Investments are carried at the lower of cost and market value, subject to the financial instruments reporting in Note 2 following.

(c) Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is provided using the straight-line method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Fieldhouse improvements	10 years
Concession Equipment	10 years
Facility Equipment	10 years

(d) Revenue recognition

The Society follows the accrual method of accounting for revenue. The Society recognizes revenue when the event takes place for use of the facility by the customer. If a customer pays in advance for the use of the facility at a future date, the deposits are reported as unearned revenue. The Society follows the deferral method of recognizing revenue for naming rights and advertising income from various donors. Those fees with terms of one to five years are pro rated and the unearned portion is classified as deferred revenue.

Drop - in revenue is recognized on the day the customer uses the facility and pays for its use.

Revenue from concessions is recognized at the time the sale takes place.

# FOOTHILLS-OKOTOKS RECREATION SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e) Donated materials

Donated materials are recorded at their estimated fair value, if the donated materials would have otherwise been paid for if not donated. If fair value cannot be reasonably determined or the value is immaterial, such donations are not recorded in the financial records of the society.

(f) Accounting for government grants and disclosure of government assistance

A government grant is recognized only when there is reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received.

A grant is recognized as income over the period necessary to match with the related costs for which they are intended to compensate, on a systematic basis.

A grant relating to assets acquired may be presented in one of two ways:

as deferred income

by deducting the grant from the asset's carry amount

The organization has adopted the presentation of grants relating to acquisition of assets by deducting the grant from the asset's cost for a net cost, and amortization is taken on the net cost.

g) Inventory

Inventory of food is valued at lower of cost and net realizable value.

### 2. FINANCIAL INSTRUMENTS

#### Classification and Measurement of Financial Instruments

The Society measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Company's contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through the statement of operations ("FVTSO"); Financial liabilities are subsequently measured at amortized cost that is the net cost determined at the reporting period.

#### FVTSO

The Society classifies its financial assets into two categories:

1. Financial assets that are instruments quoted in an active equity market, such as shares, mutual funds or other tradable assets, are to be valued at fair market value at the reporting date. The Society will subsequently measure the instruments at fair value and any adjustment to the instrument will be reported as an unrealized gain or loss in the statement of operations.

# FOOTHILLS-OKOTOKS RECREATION SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

### 2. FINANCIAL INSTRUMENTS, continued

2. All other financial instruments will be measured initially at amortized cost. Amortized costs will subsequently be measured against the future reporting date value and any reduction for impairment considered permanent will be reported as an unrealized loss through the statement of operations

The Society's financial liabilities adjustments, if determined necessary, are reported as unrealized gains or losses through the statement of operations.

The financial instruments of the company consist of cash, accounts receivable, accounts payable and accrued liabilities, investments and bank indebtedness.

#### Risk Management

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the short-term maturity of these items. It is management's opinion that the Society is not exposed to significant interest rate, currency, credit, or market risks arising from these financial instruments.

### 3. CASH AND RESTRICTED CASH

Cash is made up of unrestricted and restricted amounts.

	<u>2021</u>	<u>2020</u>
<u>Operating Stabilization Fund - Restricted</u>	\$ 98	\$ 52,589
<u>Capital Reserve</u> (Note 9)		
Restricted	\$ 674,687	\$ 670,203
Deferred revenue (Note 8)	66,875	16,875
	<u>\$ 741,562</u>	<u>\$ 687,078</u>
<u>Unrestricted Fund</u>		
Deferred revenue (Note 8)	83,639	73,780
Unrestricted	147,598	125,138
	<u>231,237</u>	<u>198,918</u>
Total cash	<u>\$ 972,897</u>	<u>\$ 938,585</u>

The company manages the credit exposure related to cash by selecting counterparties based on credit ratings.

#### Capital reserve cash

The capital reserve account, \$674,687 (2020 - \$670,203) is comprised of funds held in several guaranteed investment certificates with interest rates varying from 0.75% to 1.0%. The maturity dates range from 2 months to 14 months from the year end date, December 31, 2021.

#### Cash not invested.

Cash not invested is kept in regular bank accounts. It is the policy of the organization to allocated funds to GIC's as operations permit.

# FOOTHILLS-OKOTOKS RECREATION SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

### 3. CASH AND RESTRICTED CASH, continued

#### Other

The management company will contribute \$2,500 per month to the Operating Stabilization Fund from the gross revenues starting January 2019 until the balance in the fund reaches \$100,000. At that point the contributions to Operating Stabilization Fund end unless and until further directions are provided by the Society. The Operating Stabilization Fund will only be used with the express prior written authorization of the Society to meet unforeseen events.

The management discontinued the contribution to Operation Stabilization Fund months due to losses as a result of COVID 19.

The Society decided not to recognize the advertising revenue due to closure of the facilities and lower utilization of the facilities as a result of Covid -19 by extending the terms of the advertising agreements.

During the current year the board approved to transfer \$52,500 from Operating Stabilization Fund to the operating account due to anticipated losses as a result of Coronavirus. The board resolved to replenish the fund out of operating Revenue, if and when there is an recovery from COVID-19 and improved operating performance enables such a move.

### 4. ACCOUNTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
Accounts receivable - Max Galaxy	\$ -	\$ 1,039
Accounts receivable - other	6,588	6,970
Donation receivable	<u>150,936</u>	<u>150,000</u>
	<u>\$ 157,524</u>	<u>\$ 158,009</u>

The \$150,000 donation receivable plus accrued interest of \$936 is being held by Foothills County until such a time that the funds are requested by the Society for future capital purchases.

### 5. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2021</u>	<u>Net 2020</u>
Fieldhouse improvements	\$ 32,885	\$ 3,837	\$ 29,048	\$ 32,337
Concession equipment	31,150	15,575	15,575	18,690
Facility Equipment	<u>120,060</u>	<u>36,346</u>	<u>83,714</u>	<u>95,720</u>
	<u>\$ 184,095</u>	<u>\$ 55,758</u>	<u>\$ 128,337</u>	<u>\$ 146,747</u>

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2021</u>	<u>2020</u>
Accounts payable	\$ 11,018	\$ 18,585
Accrued liabilities and other payable	<u>72,323</u>	<u>42,379</u>
	\$ 83,341	\$ 60,964
GST receivable (net)	<u>(19,607)</u>	<u>(21,028)</u>
	<u>\$ 63,734</u>	<u>\$ 39,936</u>

# FOOTHILLS-OKOTOKS RECREATION SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

### 7. ADVANCES FROM STAKEHOLDERS

	<u>2021</u>	<u>2020</u>
Due to Foothills County	1,575,245	\$ 1,379,605
Due to Town of Okotoks	<u>1,503,758</u>	<u>1,308,118</u>
	<u>\$ 3,079,003</u>	<u>\$ 2,687,723</u>

The advances may be repaid from the operating surplus in the future.

### 8. DEFERRED REVENUE

The Society received advertising revenue from various donors with terms of one to five years. These amounts are reported annually in the statement of operations on a pro-rata basis and the unearned portion is classified as deferred revenue.

The Society also receives advance deposits from customers for use of the facility at a future date, deposits on leases and advances on pouring rights revenue.

All of these are recorded as deferred revenue and is comprised of the follows:

	<u>2021</u>	<u>2020</u>
Deferred advertising (building and field naming)	\$ 66,875	\$ 16,875
Deferred advertising (other)	45,070	32,820
Other deferred revenue	<u>38,569</u>	<u>40,960</u>
	<u>\$ 150,514</u>	<u>\$ 90,655</u>

### 9. CAPITAL RESERVE

The Society is required to maintain a capital reserve account to be used for major repairs, acquisition of or replacement of tangible capital assets owned by the Foothills County (earlier M.D. of Foothills No. 31) and the Town of Okotoks. Initially, the Society agreed to allocate \$75,000 annually to the capital reserve from operations with investment income earned on the funds added to the capital reserve. Subsequently in 2015, the Society agreed to allocate the advertising revenue from building and field naming rights annually to the capital reserve.

Major expenditures of a capital nature for replacements and improvements are charged against the capital reserve

### 10. COMMITMENTS

An operating agreement was settled between the Foothills-Okotoks Recreation Society and Nustadia Recreation Inc. (the Company) for the operations and management of the facility. The agreement was signed April 2, 2014 for a period of five (5) years with an option of a renewal for an additional five (5). The terms of the agreement stated that January 1, 2015 was the beginning of the operating agreement used to determine the five (5) year period. The time from April 1, 2014 to January 1, 2015 was called the stub period.

# FOOTHILLS-OKOTOKS RECREATION SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

### 10. COMMITMENTS, continued

The contract term included an annual management fee of \$100,000 plus GST to be paid in equal monthly installments. The agreement for fees was to be adjusted annually as of June 1 of each subsequent year for increases in the consumer price index.

The Society has renewed the agreement with the Company until December 31, 2024.

The Society, in order to incentivize the Company agrees that starting in 2019 calendar year, the Company shall be paid an amount equal to 15% of the improvement of the actual year-over-year financial performance of the facility in a given year as compared to previous calendar year, calculated based on positive difference between net revenues (or net deficits, as the case may be) of the current year and the immediately proceeding year, to a maximum of 50% of the amount of annual management fee for the current year. Neither, the Capital reserve fund contributions or their accrued interest nor the Operating Stabilization Fund contributions or their accrued interest shall be considered in the calculation of this operating performance incentive payment.

No accrual or payment was made in 2021 for Operating Performance Incentive.

The Society is also committed to various monthly payments for services, such as elevator maintenance and snow removal. These contracts expire at varying dates.

### 11. DISCLOSURE RELATED TO IMPACT OF GLOBAL HEALTH PANDEMIC COVID-19

Since mid March of 2020, virtually all organizations have faced decreased business opportunities that have resulted in reduced revenues and an increase in expenses. Some of the increase in expenses have occurred from efforts to curtail the spread of the virus. The revenue decline was due to the closure of the facilities to abide by the restrictions of government(s) to curtail the spread of virus and due to drop down in the occupancy when the restrictions were eased.

The Canadian Government has taken steps to stop the spread of virus as recommended by World Health Organization (WHO). There is a new variant of the Corona virus that has emerged requiring all levels of government to impose continuing restrictions and issuing health advisory notifications. As a result the Society is facing challenges to fully utilize its facilities.

### 12. ECONOMIC DEPENDENCE

The Society reports its financial position to Foothills County (earlier M. D. of Foothills No. 31) and Town of Okotoks on a monthly basis. If the cash balance falls below \$200,000, the Society may request a cash advance from the County and Town to support the operations.

### 13. COMPARATIVE FIGURES

Some of the comparative figures were restated to facilitate comparison to the current years presentation.