

# **MOUNTAIN SHADOWS RESORT OWNERS' CORPORATION**

## **Financial Statements** (Unaudited)

**For The Year Ended April 30, 2018**

	Page
Review Engagement Report	2
Balance Sheet	3
Statement of Changes in Deficit	4
Income Statement	5
Cash Flow Statement	6
Notes to the Financial Statements	7 - 11

## REVIEW ENGAGEMENT REPORT

To the board of directors of Mountain Shadows Resort Owners' Corporation:

I have reviewed the balance sheet of Mountain Shadows Resort Owners' Corporation, as at April 30, 2018 and the statements of changes in retained earnings, income and cash flow 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 private enterprises, 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.

### *Practitioner's Responsibility*

My responsibility is to express a conclusion on the accompanying financial statements based on my review. I conducted my review in accordance with Canadian generally accepted standards for review engagement, which require me to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagement is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, I do not express an audit opinion on these financial statements.

### *Conclusion*

Based on my review, nothing has come to my attention that causes me to believe that the financial statements do not present fairly, in all material respects, the financial position of Mountain Shadows Resort Owners' Corporation as at April 30, 2018 and the results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

These financial statements have been prepared by the same accounting firm that prepares the monthly bookkeeping for the corporation. This threat to independence has been mitigated by having the treasurer review all adjusting entries and financial reports. Although it was concluded that the threat to independence was reduced enough to permit the preparation of the review engagement users should be aware of this threat.

Invermere, BC  
October 1, 2018



Chartered Professional Accountant

# MOUNTAIN SHADOWS RESORT OWNERS' CORPORATION

## BALANCE SHEET

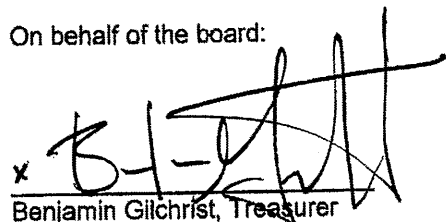
Page 3

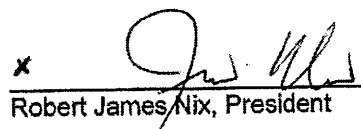
(Unaudited)

As At April 30, 2018

	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 21,920	\$ 28,200
Accounts receivable (note 4)	2,416	2,994
Prepaid expenses	5,273	195
	<b>\$ 29,609</b>	<b>\$ 31,389</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 14,126	\$ 12,742
Due to related party (note 6)	1,581	10,205
Government remittances payable (note 7)	2,866	3,141
	<b>18,573</b>	<b>26,088</b>
Deferred contingency fees (note 8)	11,945	5,704
	<b>30,518</b>	<b>31,792</b>
Commitments (note 10)		
<b>Shareholders' deficiency</b>		
Share capital (note 11)	2	2
Deficit	(911)	(405)
	<b>(909)</b>	<b>(403)</b>
	<b>\$ 29,609</b>	<b>\$ 31,389</b>

On behalf of the board:

x   
Benjamin Gilchrist, Treasurer

x   
Robert James Nix, President

The attached notes and review report are an integral part of these financial statements.

# MOUNTAIN SHADOWS RESORT OWNERS' CORPORATION

## STATEMENT OF CHANGES IN DEFICIT

Page 4

(Unaudited)

For The Year Ended April 30, 2018

	2018	2017
Deficit - beginning	\$ (405)	\$ -
Net loss	(506)	(405)
Deficit - end	\$ (911)	\$ (405)

The attached notes review report are an integral part of these financial statements.

# MOUNTAIN SHADOWS RESORT OWNERS' CORPORATION

## INCOME STATEMENT

Page 5

(Unaudited)

For The Year Ended April 30, 2018

	2018	2017
<b>Revenue</b>		
Owner assessments	\$ 124,830	\$ 111,432
Transfer fees	750	714
	<b>125,580</b>	<b>112,146</b>
<b>Expenses</b>		
Bank charges	241	83
Garbage	3,476	1,371
Insurance	5,187	4,205
Meeting expenses	648	171
Office costs	362	173
Professional fees	14,772	7,472
Property Tax	13,277	15,245
Repairs and maintenance	9,101	8,010
Resident manager service contract fees	28,800	13,200
Resident manager expenses	13,200	28,800
Telephone and cable	11,938	11,123
Utilities	24,701	22,303
Worker's compensation insurance	383	395
	<b>126,086</b>	<b>112,551</b>
<b>Loss before provision for tax</b>	<b>(506)</b>	<b>(405)</b>
<b>Provision for income tax</b>		
Income tax - current (note 9)	-	-
<b>Net loss</b>	<b>\$ (506)</b>	<b>\$ (405)</b>

The attached notes and review report are an integral part of these financial statements.

# MOUNTAIN SHADOWS RESORT OWNERS' CORPORATION

## CASH FLOW STATEMENT

Page 6

(Unaudited)

For The Year Ended April 30, 2018

	2018	2017
<b>Operating activities</b>		
Net loss	\$ (506)	\$ (405)
<b>Change in non-cash working capital</b>		
Accounts payable and accruals	1,382	12,744
Accounts receivable	580	(2,994)
Government remittances payable	(275)	3,141
Prepaid expenses	(5,079)	(195)
	(3,392)	12,696
	(3,898)	12,291
<b>Financing activities</b>		
Deferred contingency fees collected	6,242	5,704
Due to related party - increase (decrease)	(8,624)	10,205
	(2,382)	15,909
<b>(Decrease) Increase in cash and cash equivalents</b>	<b>(6,280)</b>	<b>28,200</b>
<b>Cash and cash equivalents, beginning</b>	<b>28,200</b>	<b>-</b>
<b>Cash and cash equivalents, end</b>	<b>\$ 21,920</b>	<b>\$ 28,200</b>

The attached notes and review report are an integral part of these financial statements.

# **MOUNTAIN SHADOWS RESORT OWNERS' CORPORATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

Page 7

(Unaudited)

**For The Year Ended April 30, 2018**

---

### **1. NATURE OF BUSINESS**

This company was incorporated under the British Columbia Business Corporations Act on June 28, 2010. The corporation is responsible for managing and maintaining common area costs in an recreational vehicle (RV) style park operating under the name of Mountain Shadows RV Resort.

Mountain Shadows Resort Owners' Corporation has entered into an Agency, Nominee and Bare Trust Agreement, a Development Agreement, and a Co-ownership Agreement. It is also affected by the Disclosure Statement and its amendments by the Developer in accordance with the Real Estate Development and Marketing Act. These agreements provide the basis for the Company to assess shareholders of the corporation. The assessments provide for payment of operation and maintenance costs and allow for the establishment of a contingency fund for future costs. These agreements also provide the shareholders with guidance on the following:

- A definition of the lands in trust to the corporation.
- A definition of resort lands that are managed by the corporation.
- A right or exclusive license to use a specified plot of land for recreational vehicle purposes that is associated with the share purchased and co-ownership agreement.
- Bylaws and rules related to conduct and use of the lands.
- An outline of how the corporation is to function.
- Authority of the corporation for bylaws and rules.
- Rights related to who the developer is and what the developer can do with the lands.

The company was incorporated in 2010 but remained inactive until May 1, 2016. At that time the corporation took on the role of managing and maintaining the resort lands of Mountain Shadows RV Resort.

### **2. ACCOUNTING POLICIES**

#### **Basis of presentation**

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE") on a going concern basis and includes the following significant accounting policies:

#### **Uses of estimates**

When preparing financial statements in accordance with ASPE, it is required to make estimates and assumptions relating to the:

- Reported amounts of revenue and expenses for the year;
- Reported amounts of assets and liabilities;
- Disclosure of contingent assets and liabilities at the report date.

Assumptions are based on a number of factors; including historical experience, current events and actions that the company may undertake in future, and other assumptions believed reasonable under the circumstances. Periodically there is a review of these estimates and accordingly, adjustments made to these estimates are taken into income in the year in which it is determined. These estimates are subject to measurement uncertainty, and actual results may therefore differ from those estimates. Estimates are used when accounting for certain items, such as useful lives of property, plant and equipment, allowance for doubtful accounts, warranties and income tax.

# MOUNTAIN SHADOWS RESORT OWNERS' CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

Page 8

(Unaudited)

For The Year Ended April 30, 2018

---

### 2. ACCOUNTING POLICIES - CONTINUED

#### Revenue recognition

Revenue assessments are of two types:

- a) Operating cost reimbursements are assessed and invoiced to shareholders of the corporation who have signed for an ownership interest in a developed site on the resort lands. The total assessment amount is determined by the annual budget that is approved and passed by the board of directors annually. Revenue on operating income is recognized when it is billed and determined to be due from the shareholder.
- b) The Co-ownership Agreement requires the corporation to charge shareholders a contingency fee in order to have funds available for future expected maintenance costs. These fees are billed to the shareholders who have signed for an ownership interest in a developed site on the resort lands. The assessed amount is set by the annual budget approved by the board of directors or by special meeting resolution of the board of directors. Contingency revenue is deferred and is recognized as revenue when the matching expense has arisen. Management has a policy to hold deferred contingency fees in a separate savings account.

#### Income tax

The company follows the tax payable method of accounting for income tax.

### 3. FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, receivables, prepaids, accounts payable, accrued liabilities, deferred revenues and amounts due to a related company. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, credit or currency risk arising from these financial instruments.

### 4. ACCOUNTS RECEIVABLE

	2018	2017
Accounts receivable - assessments	\$ 2,415	\$ 2,994

The accounts receivable represents fees that were issued as of April 30, 2018 to parties that had use of the Resort during the year but did not have full access to all common services provided to RV Sites.



# MOUNTAIN SHADOWS RESORT OWNERS' CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

Page 9

(Unaudited)

For The Year Ended April 30, 2018

---

### 5. TITLES IN TRUST

Mountain Shadows Resort Owners' Corporation is the nominee of an Agency, Bare Trust and Nominee Agreement for three plots of land. This land is the site for the current Mountain Shadows RV community.

- Lot 1 District Lot 7913 Kootenay District Plan 10489
- Parcel A 1429711 District Log 7913
- Lot 1 District Lot 7913 Kootenay District Plan 1456

The nominee holds legal titles to these lands. The original beneficial owner of the property is Radium Mountain SR Developments Ltd. (the "Developer"). Through the process of purchasing the rights and license to a plot of land to be used for recreational vehicle purposes; the purchaser executes an instrument evidencing/transferring an equal 1/136 of the beneficial interest in the lands.

As at April 30, 2018 there are two personal property security act registered charges noted against the title of Parcel A (1429711) of District Lot 7913 Kootenay District and Lot 1 District Lot 7913 Kootenay District Plan 14156. The charge has been placed by the Bank of Nova Scotia and relates to securing loans used in the purchase of manufactured homes #79277 and #79782.

### 6. DUE TO RELATED PARTY

Radium Mountain SR Developments Ltd. is related to Mountain Shadows Resort Owners' Corporation as it is the developer of the resort lands maintained by the Owners' Corporation and is also a shareholder. The developer is a named party in the Development Agreement, the Disclosure Agreement, and the Co-ownership Agreement that all shareholders of Mountain Shadows Resort Owners' Corporation agree to and sign.

During the year \$3,992 plus GST tax was paid by the developer to the Owners' Corporation for assessments and fees for share transfers on some individual sites with which the developer had relationships with.

During the year \$2,192 was paid by the developer to the Owners' Corporation for a portion of property tax.

During the year there was \$13,200 plus GST tax charged by the developer to the Owners' Corporation for rent of a structure used by the manager of the corporation.

During the year there was \$214 plus GST tax charged by the developer to the Owner's Corporation for a portion of septic pumping costs.

The balance owed to the developer at year-end is as follows:

	2018	2017
Due due to Radium Mountain SR Developments Ltd.	\$ 1,581	\$ 10,205

All fees charged and collected were in the normal course of operations and are measured at the exchange amount, which is consideration established and agreed to by the related parties.

# MOUNTAIN SHADOWS RESORT OWNERS' CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

Page 10

(Unaudited)

For The Year Ended April 30, 2018

### 7. GOVERNMENT REMITTANCES PAYABLE

	2018	2017
GST sales tax	\$ 2,738	\$ 3,013
Worksafe British Columbia	128	128
	\$ 2,866	\$ 3,141

### 8. DEFERRED CONTINGENCY FEES

In accordance with section 3.9 of the Co-ownership agreement, Mountain Shadows Resort Owners' Corporation shall determine at the annual general meeting, or by way of unanimous resolution, amounts to be charged as contingency fees. These funds will be not less than 5% of the estimated common costs after the first annual general meeting and 10% of the annual contribution from members thereafter. These fees shall continue to accumulate until funds are at least equal to 25% of the total annual budget for the corporation is met. Expenditures from these funds will be used and recognized as revenue when an expenditure is required or upon special resolution by the board of directors.

Should the corporation dissolve, or cease to function, the amounts are due back to the unit holders for which the contributions were made:

	2018	2017
Deferred contingency fees, beginning	\$ 5,704	\$ -
Contingency fees collected	6,241	5,704
Expenditures	-	-
Deferred contingency fees, end	\$ 11,945	\$ 5,704

As at April 30, 2018 a cash value of \$5,200 had been deposited in a separate savings account. As of August 17, 2018 the total amount of \$11,945 had been deposited to the separate savings account.

### 9. CORPORATE TAX

The reconciliation of income tax is as follows:

	2018	2017
Net accounting income before income tax	\$ (506)	\$ (405)
Taxable income	(506)	(405)
Statutory rates	38%	38%
Income tax expense	\$ -	\$ -

As at April 30, 2018 the corporation has non-capital tax losses of \$911. This amount can be carried forward to future years to offset future taxable income.

These losses will expire as follows;

April 30, 2037 \$405

April 30, 2038 \$506

# MOUNTAIN SHADOWS RESORT OWNERS' CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

Page 11

(Unaudited)

For The Year Ended April 30, 2018

---

### 10. COMMITMENTS

The corporation has a monthly rental arrangement for the house used as accommodation for the corporation's resident manager and equipment for the resort. The current monthly rent is at \$1,100 per month plus GST tax.

### 11. SHARE CAPITAL

Authorized  
No maximum      Class "A" common shares without par value  
No maximum      Class "B" common shares without par value  
No maximum      Class "C" common shares without par value

		2018	2017
Issued			
136	Class "A" common shares	\$ 2	\$ 2