

CARRIAGE RIDGE OWNERS' ASSOCIATION

Financial Statements

December 31, 2020

(Unaudited)

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Carriage Ridge Owners' Association

We were engaged to review the accompanying financial statements of Carriage Ridge Owners' Association which comprise the statement of financial position as at December 31, 2020 and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility for the Financial Statements

Our responsibility is to express a conclusion on the accompanying financial statements. Because of the matter described in the Basis for Disclaimer of Conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence as a basis for expressing a conclusion on the financial statements.

Basis for Disclaimer of Conclusion

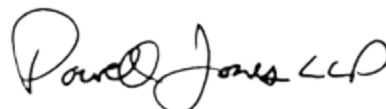
Canadian standards for review engagements require independent practitioners to obtain written representations from those charged with governance stating that it has fulfilled its responsibility for the preparation and fair presentation of the financial statements, that it has provided the independent practitioner with all the relevant information and that all transactions have been recorded. If these written representations are not obtained then the independent practitioner is required to disclaim a conclusion on the financial statements. On January 5, 2021, those charged with governance of the Association for the year ending December 31, 2020 resigned as planned and turned control of the the Association over to a receiver under pre-approved court order and supervision. As those charged with governance have resigned on January 5, 2021, under the terms noted above, they have not made any representations with regard to the financial statements for the year ended December 31, 2020.

Disclaimer of Conclusion

Due to the significance of the matters described in the *Basis for Disclaimer of Conclusion* paragraph, we were unable to obtain sufficient appropriate evidence to form a conclusion on the financial statements. Accordingly, we do not express a conclusion on the financial statements.

Other Matter

We draw your attention to Note 2 in the financial statements which outlines that the financial statements were not prepared using the going concern basis.



December 10, 2021

Chartered Professional Accountants
Licensed Public Accountants

CARRIAGE RIDGE OWNERS' ASSOCIATION

Statement of Financial Position

As at December 31, 2020

(Unaudited)

	2020	2019
	\$	\$
ASSETS		
CURRENT		
Cash	300,115	3,763,492
Accounts receivable <i>(Note 3)</i>	1,300,950	1,273,530
Government remittances recoverable	16,384	8,686
Due from Carriage Hills Hospitality, Inc. <i>(Note 4)</i>	69,469	-
Prepaid expenses	117,814	72,059
	<u>1,804,732</u>	<u>5,117,767</u>
REPLACEMENT FUND INVESTMENTS <i>(Note 5)</i>	<u>2,024,087</u>	<u>1,126,432</u>
	<u>3,828,819</u>	<u>6,244,199</u>
LIABILITIES AND FUND BALANCES		
CURRENT		
Accounts payable and accrued liabilities	196,207	243,690
Due to Carriage Hills Vacation Owners' Association <i>(Note 4)</i>	253,624	56,291
Due to Carriage Hills Hospitality, Inc. <i>(Note 4)</i>	-	33,433
Deferred revenue <i>(Note 6)</i>	-	4,350,561
	<u>449,831</u>	<u>4,683,975</u>
FUND BALANCES		
Operating fund	1,355,187	447,662
Replacement fund <i>(Note 7)</i>	<u>2,023,801</u>	<u>1,112,562</u>
	<u>3,378,988</u>	<u>1,560,224</u>
	<u>3,828,819</u>	<u>6,244,199</u>

APPROVED ON BEHALF OF THE BOARD

Director

Director

CARRIAGE RIDGE OWNERS' ASSOCIATION

Statement of Operations

For the Year Ended December 31, 2020

(Unaudited)

	Operating Fund 2020	Replacement Fund 2020	Total 2020	Total 2019
	\$	\$	\$	\$
REVENUES				
Maintenance fees <i>(Note 4)</i>	4,259,860	998,924	5,258,784	4,697,208
Room rentals and bonus time <i>(Note 4)</i>	90,568	-	90,568	91,715
Late fees	233,829	-	233,829	218,833
Interest and other	36,912	22,892	59,804	65,819
	<u>4,621,169</u>	<u>1,021,816</u>	<u>5,642,985</u>	<u>5,073,575</u>
EXPENSES				
Resort management <i>(Notes 4, 8)</i>	1,305,903	-	1,305,903	881,888
Housekeeping <i>(Note 8)</i>	523,141	-	523,141	740,599
Utilities	330,106	-	330,106	360,873
Maintenance <i>(Note 8)</i>	315,266	-	315,266	348,123
Doubtful accounts receivable	217,951	-	217,951	749,652
Property tax	196,796	-	196,796	261,108
Grounds maintenance	160,244	-	160,244	164,602
Guest services <i>(Note 8)</i>	150,899	-	150,899	182,167
Activities <i>(Note 8)</i>	136,387	-	136,387	167,208
Laundry	89,293	-	89,293	92,695
Accounting <i>(Note 8)</i>	35,199	-	35,199	36,084
Telephone	33,695	-	33,695	32,588
Security <i>(Note 8)</i>	28,011	-	28,011	25,804
Interest	-	-	-	4,961
Capital improvements <i>(Note 7)</i>	-	110,577	110,577	1,355,992
	<u>3,522,891</u>	<u>110,577</u>	<u>3,633,468</u>	<u>5,404,344</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,098,278</u>	<u>911,239</u>	<u>2,009,517</u>	<u>(330,769)</u>
OTHER EXPENSES (INCOME)				
Employee severance	244,807	-	244,807	-
Government assistance <i>(Note 9)</i>	<u>(54,054)</u>	<u>-</u>	<u>(54,054)</u>	<u>-</u>
	190,753	-	190,753	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>907,525</u>	<u>911,239</u>	<u>1,818,764</u>	<u>(330,769)</u>

CARRIAGE RIDGE OWNERS' ASSOCIATION
Statement of Changes in Fund Balances
For the Year Ended December 31, 2020
(Unaudited)

	Operating Fund \$	Replacement Fund \$	2020 \$	2019 \$
FUND BALANCES - BEGINNING OF YEAR	447,662	1,112,562	1,560,224	1,890,993
Excess (deficiency) of revenues over expenses	907,525	911,239	1,818,764	(330,769)
FUND BALANCES - END OF YEAR	1,355,187	2,023,801	3,378,988	1,560,224

CARRIAGE RIDGE OWNERS' ASSOCIATION**Statement of Cash Flows****For the Year Ended December 31, 2020***(Unaudited)*

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	1,818,764	(330,769)
Item not affecting cash:		
Amortization	-	4,992
	<u>1,818,764</u>	<u>(325,777)</u>
Changes in non-cash working capital:		
Accounts receivable	(27,420)	(47,726)
Government remittances recoverable	(7,698)	47,541
Prepaid expenses	(45,755)	176,759
Accounts payable and accrued liabilities	(47,483)	(158,398)
Due to Carriage Hills Vacation Owners' Association	197,333	(7,129)
Due to Carriage Hills Hospitality, Inc.	(102,902)	29,605
Deferred revenue	(4,350,561)	453,157
	<u>(4,384,486)</u>	<u>493,809</u>
	<u>(2,565,722)</u>	<u>168,032</u>
FINANCING ACTIVITIES		
Repayment of obligations under capital lease	-	(5,623)
Repayment of note payable to Carriage Hills Resort Corporation	-	(198,432)
	<u>-</u>	<u>(204,055)</u>
DECREASE IN CASH FLOW	(2,565,722)	(36,023)
Cash - beginning of year	<u>4,889,924</u>	<u>4,925,947</u>
CASH - END OF YEAR	<u>2,324,202</u>	<u>4,889,924</u>
CASH CONSISTS OF:		
Cash	300,115	3,763,492
Replacement fund cash and investments	<u>2,024,087</u>	<u>1,126,432</u>
	<u>2,324,202</u>	<u>4,889,924</u>

CARRIAGE RIDGE OWNERS' ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2020

(Unaudited)

1. NATURE OF OPERATIONS

Carriage Ridge Owners' Association ("Association") was incorporated on August 7, 2003 under the Ontario Corporations Act and is a not-for-profit organization that is exempt from taxes under the Income Tax Act. As described in Note 2, the Association ceased operations on January 6, 2021. Prior to this, the Association was responsible for the operation of the timeshare plan at Carriage Ridge Resort located at 3303 Line 3 North, RR #1, Oro-Medonte, Ontario. The timeshare facility is a residential timeshare development by Carriage Hills Resort Corporation ("Developer"). The resort property contains 78 units each divided into 51 unit week intervals ("intervals") for a total of 3,978 intervals. The Association also performs duties set forth in the by-laws and other program documents, including the Time Sharing Agreement of Carriage Hills Resort ("Time Sharing Agreement") dated August 8, 2003.

The members of the Association are the owners of the intervals. Prior to ceasing operations, the affairs of the Association were managed by the Board of Directors who were elected by the membership based on the by-laws of the Association.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Going concern

The Association ceased operations on January 6, 2021 and the financial statements have been prepared on a basis other than that of the going concern basis. The basis includes, where applicable, writing the Association's assets down to net realizable value. No provision has been made for the future costs of terminating the operations unless such costs were committed at the reporting date.

Resort property

Ownership of the real property and certain personal property assets are vested directly or indirectly in the interval owners, not in the Association. Accordingly, such property and assets are not reflected as assets in these financial statements. These financial statements do not include the Developer's interest in the Association, nor any of the related mortgages, liabilities or contingent liabilities.

Fund accounting

The Association follows the restricted fund method of accounting for maintenance fees.

The Operating fund accounts for the maintenance fees received from interval owners and the related common operating expenses.

The Replacement fund accounts for the restricted maintenance fees received from owners and major repairs or replacement costs incurred.

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CARRIAGE RIDGE OWNERS' ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2020

(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Replacement fund

The Association, as required by the Time Sharing Agreement, has established a replacement fund for financing future major repairs and replacements of the commonly owned assets of the resort. The basis of establishing contributions to this replacement fund is explained in Note 7. Only major repairs and replacements of the common elements and costs of conducting a reserve fund study are charged directly to the Replacement Fund. Minor repairs and replacements are charged to repairs and maintenance in the Operating Fund.

The Association segregates monies accumulated for the purpose of financing future charges to the Replacement Fund in special accounts, for use only to finance such charges. Interest earned on these restricted funds is credited directly to the Replacement Fund.

Replacement fund investments

Replacement fund investments are recorded at cost plus accrued interest.

Revenue recognition

Maintenance fees are recognized as revenue monthly based on the budget distributed to interval owners each year. Maintenance fees billed in advance are recorded as deferred revenue. Late fees and financing charges on delinquent maintenance fees are recorded in the year when collected.

Room rental and bonus time revenue are recognized as revenue based on stay dates. Advance deposits for reservations in the future are recorded as deferred revenue until arrival.

Interest and other revenue are recognized as revenue in the related fund when earned.

Use of estimates

The preparation of the Association's financial statements, in accordance with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year. Significant items subject to such estimates and assumptions include the valuation of accounts receivable. Due to the inherent uncertainty involved with making such estimates, actual results could differ from those reported. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

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CARRIAGE RIDGE OWNERS' ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2020

(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Measurement of Financial Instruments

The Association initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, due from Carriage Hills Hospitality, Inc. and replacement fund investments. Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities and Carriage Hills Vacation Owners' Association.

Contributed services

Directors and owners volunteer their time to assist in the Association's activities. These services benefit the Association; however, a reasonable estimate of the time spent and its fair market value cannot be made and accordingly, these contributed services are not recognized in the financial statements.

Fund balance management

The Association manages its fund balances through annual budgets that accumulate amounts adequate for replacement fund requirements and day-to-day operations and by investment of funds in compliance with the requirements of the Time Sharing Agreement.

3. ACCOUNTS RECEIVABLE

	2020	2019
	\$	\$
Maintenance fees receivable	4,825,060	5,485,550
Late fees and financing charges receivable	6,274,789	4,020,950
Funds in transit from the billing agent	-	150,811
Other	214,778	-
	<u>11,314,627</u>	<u>9,657,311</u>
Less:		
Provision for uncollectible maintenance fees	(3,738,888)	(4,362,831)
Provision for uncollectible late fees and financing charges	<u>(6,274,789)</u>	<u>(4,020,950)</u>
	<u>1,300,950</u>	<u>1,273,530</u>

CARRIAGE RIDGE OWNERS' ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2020

(Unaudited)

4. RELATED PARTY TRANSACTIONS

Developer:

During fiscal year 2019, the Developer was billed for and has paid \$391,327 for 2020 maintenance fees for 269.5 intervals which has been included in maintenance fee revenue.

Carriage Hills Hospitality, Inc.:

The Association pays management fees to Carriage Hills Hospitality, Inc. ("Manager") under a management contract which is in effect until December 31, 2022. The fee paid will increase each year by an amount equal to the Canadian consumer price index of two years' prior. The fee expected to be paid for the 2020 fiscal year is approximately \$214,000.

The Association receives rental income from the Manager as part of the rental program, which is managed by the Manager.

Bonus time fees are collected by the Manager on behalf of the Association and certain operating expenditures, primarily payroll, are paid by the Manager on behalf of the Association.

Carriage Hills Vacation Owners' Association:

Effective June 2019, the Association pays monthly rent to Carriage Hills Vacation Owners' Association, for the guest check-in space within the Clarence building located at Carriage Hills, in the amount of \$1,392 per month.

Certain operating expenditures are shared between Carriage Hills Vacation Owners' Association and the Association based on a shared use, expense and operating agreement.

Shell Vacations Club Canada, ULC:

Shell Vacations Club Canada, ULC, an entity under common control with the Developer, provides centralized reservation services to the Association.

Shell Holdings, Inc.:

Shell Holdings, Inc. an entity under common control with the Developer, provides accounting services to the Association.

	2020	2019
	\$	\$
<u>Revenue for the year includes:</u>		
Room rentals - received from Manager	53,755	62,300
Bonus time revenue - received from Manager	36,580	28,330
	<u>90,335</u>	<u>90,630</u>

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CARRIAGE RIDGE OWNERS' ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2020

(Unaudited)

4. RELATED PARTY TRANSACTIONS (continued)

	2020	2019
	\$	\$
<u>Expenditures for the year include:</u>		
Management fees - paid to Manager	214,475	209,551
Insurance - paid to Manager	44,451	29,341
Financial services fees - paid to Manager	5,239	6,201
Central reservations - paid to Shell Vacations Club Canada, ULC	9,092	11,184
Accounting fees - paid to Shell Holdings Inc.	21,402	23,128
Non occupancy rental - paid to Carriage Hills Vacation Owners' Association	-	9,744
	<u>294,659</u>	<u>289,149</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. REPLACEMENT FUND INVESTMENTS

	2020	2019
	\$	\$
Guaranteed investment certificates	-	500,000
Cash	2,024,087	626,432
	<u>2,024,087</u>	<u>1,126,432</u>

Cash is held in a bank account with Scotiabank earning interest at the bank's prime rate less 2.00% per annum and in an investment savings account with RBC Dominion Securities Inc. earning interest at variable rates. Market value as at year end approximates cost.

6. DEFERRED REVENUE

	2020	2019
	\$	\$
Maintenance fee revenue	-	5,194,477
Less:		
Provision for uncollectible fees	-	(843,916)
	<u>-</u>	<u>4,350,561</u>

CARRIAGE RIDGE OWNERS' ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2020

(Unaudited)

7. REPLACEMENT FUND

Management has used the report of Armstrong Consulting dated November 2019 and such other information as was available to them to evaluate the adequacy of the replacement fund. That report proposed allocations of \$1,098,816 for 2020, interest earned of \$24,253, expenditures of \$195,170 and a year-end balance as at December 31, 2020 of \$1,731,048. Actual amounts were allocations of \$998,924, interest earned of \$22,892, expenditures of \$110,577 and a year-end balance of \$2,023,801. As at December 31, 2020, the replacement fund owed the operating fund \$286 (2019 - \$10,077).

8. ALLOCATION OF EXPENDITURES

Costs are allocated based on an estimate of time and resources spent on each functional area. Costs have been allocated as follows:

	2020	2019
	\$	\$
<u>Salaries and benefits</u>		
Resort management	166,187	165,156
Housekeeping	406,077	563,569
Maintenance	212,078	262,832
Guest services	126,181	156,366
Activities	135,685	166,143
Accounting	34,775	35,114
Contract labour	28,016	25,673
	<u>1,108,999</u>	<u>1,374,853</u>
<u>General and administrative costs</u>		
Resort management	36,519	41,767
Housekeeping	4,079	6,617
Maintenance	10,012	10,682
Guest services	5,235	8,308
Activities	3,946	7,291
	<u>59,791</u>	<u>74,665</u>

CARRIAGE RIDGE OWNERS' ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2020

(Unaudited)

9. GOVERNMENT ASSISTANCE

In response to the COVID-19 pandemic the Government of Canada has committed to provide various forms of relief. The Company applied for the following relief provisions:

During the year, the Company applied for and received a wage subsidy in the amount of \$4,373 known as the Temporary Wage Subsidy, funded by the Government of Canada. The Temporary Wage Subsidy is a three-month program which allows eligible employers to reduce the amount of payroll deductions required to be remitted to the Canada Revenue Agency. For periods subsequent to June 19, 2020 the Temporary Wage Subsidy was replaced by the Canada Emergency Wage Subsidy (CEWS).

During the year, the Company applied and its application was accepted for a wage subsidy known as the Canada Emergency Wage Subsidy (CEWS), funded by the Government of Canada. Under the CEWS, the Company is entitled to receive a subsidy for employee's wages – up to a calculated, maximum amount per week. At the date of these financial statements, Government of Canada has committed to extend the CEWS until June 2021. As of December 31, 2020 the Company has received \$49,681 in assistance from the CEWS.

10. SUBSEQUENT EVENTS

Appointment of receiver

On January 6, 2021, BDO Canada Limited was appointed as receiver of the Association and its property. The Association ceased to operate as of this date.

11. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2020.

(a) Credit risk

Cash and replacement fund investments are exposed to credit risk as the amounts on deposit exceed the federally insured limits. The Association minimizes its exposure by depositing cash and replacement fund investments at major Canadian financial institutions.

The Association must make estimates in respect of the allowance for doubtful accounts. The Association continually monitors the aging of its receivables. Current economic conditions, historical information and the reasons for the accounts being past due are all considered in the determination of when to allow for past due accounts. The allowance for doubtful accounts is calculated on a specific identification basis.

(b) Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet a demand for cash or fund its obligations as they come due. The Association meets its liquidity requirements by preparing and monitoring detailed budgets and holding assets that can be readily converted into cash.

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CARRIAGE RIDGE OWNERS' ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2020

(Unaudited)

11. FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in the market interest rates. The interest rate exposure of the Association is limited to its investment of cash and replacement fund investments in interest bearing accounts with Scotiabank and RBC, which earn interest at prevailing market rates.

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant market, currency, or other price risks arising from these financial statements.
