

LARCH HILLS NORDIC SOCIETY

Executive Meeting

Tuesday, March 7, 2023 7:30pm

In attendance: Suzy Beckner, Abbi May, Don Miller, Cam Brown, Bill Prytula, Dave Millard, Sarah Burrill, Laura Hepburn, Pauline Waelti, Alan Corbett, Karen Tanchak

1. **Adopt Agenda** – Additions- Pauline motioned to adopt, Cam 2nd.
2. **Minutes of last executive meeting** – Feb 7, 2023 Pauline motioned to adopt, Bill 2nd.
3. **Business arising/outstanding issues:** none
4. **Treasurer Report** – Don
See attached reports. Don explained details of the financial statements from BDO. These will be presented at the AGM.
Don motioned to accept the statements as drafted. Bill 2nd. All in favour.
5. **Manager's Update** – Karen
See attached report.
6. **Programs Update** – Sarah
Jackrabbit fun day this weekend.
Sarah is working on feedback forms for school hosts and organizing meetings with program heads.
7. **LUTP** – David- no update
8. **SEC** – David
Feb 22nd Back to basics talk was well received. 8 attended.
Brushers- He got a quote from Timberstar total \$4887.71 for a brusher to pull behind the Kubota. This one may not be heavy enough for our needs. John T is considering getting a brusher for his skid steerer and may be willing to work for LH. David will discuss further with George and John so that we can proceed with brushing this summer.
9. **Nordic Pulse** - Bill

Nordic Pulse is an app for xc ski hills to show current grooming. The fee is \$1200/yr. We decided that this is not worth the cost for Larch Hills. Bill suggested upgrading the website so weather and grooming are more obvious. He also suggested a light board with grooming. He would like to update the weather station for \$250. He will research the exact cost.

10. **Events** – Alan

- Purchases requested from the race organizers:
Fencing – 1000 ft with 80 plastic stakes \$3500
V Boards- 100 for \$3100. (Gorman Brothers)
Timing Clock \$1500.
Sea Can to store race gear rather than keeping it in the tracksetter shed. Used-\$4300.
Sound system- in chalet and weather proof speakers outside. \$5-10,000 for good weatherproof system. Abbi suggested checking what telemark has.
Timing Hut. Alan has put together a committee. Brad Calkins, Alan, Brian, Keith, Darius.
Abbi suggested hosting grants from Viasport.

Cam motioned to purchase fencing, V boards and the timing clock at this time. Abbi 2nd. All in favour. Alan will check with Rob regarding possible donation of the V boards.

Sarah is comparing apps for volunteer sign up. Some have a cost. There was discussion about getting a paid app. Sign up genius is working well for ski swap.

11. **Track Setter Replacement** – Abbi

\$23,000 has been raised so far toward the \$70,000 goal through Nordiq Canada.

Suzy will ask Rob to report at AGM regarding funds from the lighting project that are left over.

12. **New Dog Trail Report** – Suzy

We will review the comments received about the dog trail and discuss further in Spring. Options would include using the current dog trail, or proceeding with building the planned trail.

13. **Elections** – Suzy

Don will let his name stand.

We need one more director and discussed possible candidates.

Additions- None

Next Executive Meeting – Tuesday, April 4, 2023

Adjourned at 9:50pm



LARCH HILLS NORDIC SOCIETY

FINAL REPORT TO THE BOARD OF DIRECTORS

March 7, 2023



BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Responsibilities

Our report is designed to highlight and explain key issues which we believe to be relevant to the review engagement. This report forms a significant part of our overall communication strategy with the Board of Directors and is designed to promote effective two-way communication throughout the review engagement process so that we may both share timely information. We will communicate only those matters of governance interest that come to our attention as a result of the performance of the review engagement. We are not required to design review engagement procedures for the specific purpose of identifying matters of governance interest.

Our review engagement and therefore this report will not necessarily identify all matters that may be of interest to the Board of Directors in fulfilling its responsibilities.

This report has been prepared solely for the use of the Board of Directors and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

Terms of Reference

Our overall responsibility is to express a conclusion on the financial statements based on our review engagement procedures. The financial statements are prepared by management, with oversight by those charged with governance. The review of the financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work and the role of management and those charged with governance are confirmed in our engagement letter.

Materiality

Materiality for the current year review engagement was based on expenditures, due to the appropriateness of the benchmark for not-for-profit enterprises and the primary concern for users of the financial statements being how the funds are used. Materiality was \$4,900 for the year ended September 30, 2022.

Management Representations

During the course of our review, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw conclusions on which to base our review engagement conclusion. These representations were documented by inclusion in the review engagement working papers memoranda of discussions with management and written representations received from management.

A summary of the representation we have requested from management is set out in the management representation letter included in Appendix C to the report.

Independence

Our annual communication confirming our independence is included as Appendix A. Except as noted in Appendix A, we are not aware of any relationships between the entity and us that, in our professional judgment, may reasonably be thought to bear on our independence to date.

Significant Findings, Accounting Policies, Estimates and Judgments

Management is responsible for determining the significant accounting policies. The choice of different accounting policy alternatives can have a significant effect on the financial position and results of operations of the entity. The application of those policies often involves significant estimates and judgments by management.

Our comments in Appendix C are intended to provide you with some thoughts on the qualitative aspects of the significant findings from the performance of our review engagement.

We are of the view that nothing has come to our attention that indicates that the significant accounting policies, estimates and judgments made by management are not reasonable in the context of the financial statements taken as a whole.

APPENDICES

Appendix A: Independence

Appendix B: Significant Findings

Appendix C: Representation Letter

APPENDIX A: INDEPENDENCE



March 7, 2023

Dear Board of Directors Members:

At the core of the provision of external review engagement services is the concept of independence. We are communicating all relationships between BDO Canada LLP and its related entities and Larch Hills Nordic Society and its related entities that, in our professional judgment, may reasonably be thought to have influenced our independence during the review engagement.

In determining which relationships to report, we have considered the applicable legislation and relevant rules of professional conduct and related interpretations prescribed by the appropriate provincial institute/order covering such matters as the following:

- Holding a financial interest, either directly or indirectly in a client;
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision of services in addition to the review engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between the entity and us that, in our professional judgment, may reasonably be thought to bear on our independence to date.

We hereby confirm that we are independent with respect to the entity within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia as of March 7, 2023.

This communication is intended solely for the use of the Board of Directors, management and others within the entity and should not be used for any other purposes.

Yours truly,

Angie Spencer, CPA, CA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

AS/mo/jc

APPENDIX B: SIGNIFICANT FINDINGS

Area of Focus	Description of Concern	Review Findings
Grant revenues	Due to the complexity of accounting rules around revenue recognition, there is a concern that revenue may not be appropriately recorded in accordance with the deferral method.	Grant agreements have been reviewed and agreed to grant revenue received. It was noted during the review that there were grants received in the prior period that were not appropriately deferred. As such, a prior period adjustment was posted to correct the error.
Program revenue and expenses	There are programs run by the Society, specifically the Junior Ski Team and the Reino Keski-Salmi Loppet which results in ending cash balances not fully incorporated into the financial statements.	BDO worked with management to determine the corrected balances to include these program results in the financial statements and reported opening balances through the prior period adjustment made in the financial statements.
Capital assets	During our initial review of the opening balances, it was noted that the prior accountant had been netting the grant revenue against the related capital additions.	BDO corrected the error in the prior period through a prior period adjustment and the grants received in the current year were correctly deferred and recognized in line with the amortization of the related asset.

APPENDIX C: REPRESENTATION LETTER

Larch Hills Nordic Society
PO Box 218
Salmon Arm, BC
V1E 4N3

March 7, 2023

BDO Canada LLP
Chartered Professional Accountants
201, 571 - 6th Street NE
Salmon Arm, BC
V1E 1R6

Dear Sir/Madam:

This representation letter is provided in connection with your review of the financial statements of Larch Hills Nordic Society for the year ended September 30, 2022, for the purpose of you expressing a conclusion that, based on your review, nothing has come to your attention that causes you to believe that the financial statements do not present fairly, in all material respects, the financial position as at September 30, 2022, 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.

We confirm, to the best of our knowledge and belief, the following representations made to you during your review.

Financial Statements

We have fulfilled our responsibilities, as set out in the terms of the engagement letter date September 6, 2022, for the preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations; in particular, the financial statements are fairly presented in accordance therewith.

- The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and/or disclosure that are reasonable in accordance with Canadian accounting standards for not-for-profit organizations.
- All events subsequent to the date of the financial statements and for which Canadian accounting standards for not-for-profit organizations require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- We have reviewed and approved all journal entries recommended by the practitioners during the review. A list of the journal entries is attached to the representation letter.

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the review; and

- unrestricted access to persons within the entity from whom you determined it necessary to obtain evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- We have disclosed to you significant facts relating to any frauds or suspected frauds known to us that may have affected the entity.
- We have disclosed to you all known actual or possible non-compliance with laws and regulations for which the effects of non-compliance affect the financial statements of the entity.
- We have disclosed to you all information relevant to the use of the going concern assumption in the financial statements.
- We have disclosed to you material commitments, contractual obligations or contingencies that have affected or may affect the entity's financial statements, including disclosures.
- We have disclosed to you material non-monetary transactions or transactions for no consideration undertaken by the entity in the financial reporting period under consideration.

General Representations

Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.

We have provided you with significant assumptions that in our opinion are reasonable and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity when relevant to the use of fair value measurements or disclosures in the financial statements.

We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.

Except as disclosed in the financial statements, there have been no changes to title, control over assets, liens or assets pledged as security for liabilities or collateral.

The entity has complied with all provisions in its agreements related to debt and there were no defaults in principal or interest, or in the covenants and conditions contained in such agreements.

There have been no plans or intentions that may materially affect the recognition, measurement, presentation or disclosure of assets and liabilities (actual and contingent).

The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. When applicable, these litigation and claims have been accounted for and disclosed in the financial statements.
- We have provided you all the relevant information in order to appropriately record and disclose the restatement made to correct a material misstatement in the prior period

financial statements that affect the comparative information. This restatement was for deferred revenue in the prior year-end. An adjustment to the prior period capital asset accounts and deferred revenue has been recorded and has been detailed in Note 2 of the financial statements. All adjustments and prior period values are complete and accurate.

Yours truly,

Signature

Position

Signature

Position

Larch Hills Nordic Society

Year End: September 30, 2022

Adjusting Journal Entries

Date: 2021-10-01 To 2022-09-30

H90

Prepared by MO 2023-02-22	Detail Rev	Gen Rev AS 2023-03-03	EQCR
4th Level Rev	Tax Rev	IS Audit Rev	Other Rev

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
1	2022-09-30	Accum Amort-Buildings	1305	U. 1		29,671.00		
1	2022-09-30	Accum Amort-Small Tools	1315	U. 1		543.00		
1	2022-09-30	Accum Amort-Vehicles	1325	U. 1		11,381.00		
1	2022-09-30	Accum Amort-Equipment	1335	U. 1		3,682.00		
1	2022-09-30	Accum Amort-Trail Lighting	1355	U. 1		16,283.00		
1	2022-09-30	Amortization	5200	U. 1	61,560.00			
		To record the current year amortization expense.						Factual
2	2022-09-30	Prepays	1210	L. 02	12,373.65			
2	2022-09-30	Prepays	1210	L. 02		5,340.58		
2	2022-09-30	Prepays	1210	L. 02		14,500.00		
2	2022-09-30	Accounts Payable	2010	L. 02		10,500.00		
2	2022-09-30	Received on behalf of race team	4056	L. 02	14,500.00			
2	2022-09-30	Insurance	5040	L. 02	3,466.93			
		To adjust prepaid expenses to actual.						Factual
3	2022-09-30	Trail Lighting summary	1350		546,242.65			
3	2022-09-30	Trail Lighting - Phase I and II	1350.01			296,406.55		
3	2022-09-30	Trail Lighting - LOOP 3	1350.02			139,344.64		
3	2022-09-30	Trail Lighting - Loop 4 & 5	1350.03			110,491.46		
		To reallocate the Trail Lighting assets to one account for consistency.						Factual
5	2022-09-30	Transfer of Capital Assets to	3001	SS. 02		374,992.85		
5	2022-09-30	Restricted Net Assets-Operatio	3002	SS. 02		107,203.05		
5	2022-09-30	Restricted Net Assets-Operatio	3002	SS. 02	6.71			
5	2022-09-30	Unrestricted Net Assets - Cap	3005	SS. 02	10,357.20			
5	2022-09-30	Purchase of Capital Assets	3010	SS. 02	374,992.85			
5	2022-09-30	Amortization - Capital	3100	SS. 02		42,290.05		
5	2022-09-30	Retained Earnings	3200	SS. 02	139,135.90			
5	2022-09-30	Bank Charges	5197	SS. 02		6.71		
		To close out the prior year net asset funds.						Factual
6	2022-09-30	Transfer of Capital Assets to	3001	SS. 02	172,238.31			
6	2022-09-30	Purchase of Capital Assets	3010	SS. 02		172,238.31		
		To record the changes in the capital assets fund for the current year.						Factual
7	2022-09-30	Deferred Contribution - Trail Lighting	2033	FS.02-2		195,927.38		
7	2022-09-30	Deferred Contribution - Trail Lighting	2033	FS.02-2	16,282.52			
7	2022-09-30	Trail Lighting donations	4020	FS.02-2	3,826.38			
7	2022-09-30	Amortization of Deferred Capital Contributions	4150	FS.02-2		16,282.52		
7	2022-09-30	TOTA grant - Lighting	1399.03	FS.02-2	115,000.00			
7	2022-09-30	Covid Resilience Grant	1399.04	FS.02-2	77,101.00			
		To correct the value of the Trail lighting project and set up the deferred contribution in the current year.						
8	2022-09-30	Cash - Junior Racing Team	1045	FS.02-5		15,313.78		
8	2022-09-30	Received on behalf of race team	4056	FS.02-5		46,304.00		
8	2022-09-30	Received on behalf of race team	4056	FS.02-5	12,177.00			
8	2022-09-30	Jr. Racing Team	5050	FS.02-5	61,617.78			
8	2022-09-30	Jr. Racing Team	5050	FS.02-5		12,177.00		
		To record the Race team revenues and expenses for the current year.						Factual
9	2022-09-30	Deferred Contribution - Chalet	2032	FS.02-1	20,938.10			
9	2022-09-30	Amortization of Deferred Capital Contributions	4150	FS.02-1		20,938.10		
		To amortize the deferred contribution in line with the amortizatoion on the chalet.						Factual

Prepared by MO 2023-02-22	Detail Rev	Gen Rev AS 2023-03-03	EQCR
4th Level Rev	Tax Rev	IS Audit Rev	Other Rev

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
					1,641,816.98	1,641,816.98		

Net Income (Loss) 2,074.47

I approve these year end adjusting journal entries prepared by BDO Canada LLP

Larch Hills Nordic Society
Financial Statements
For the Year Ended September 30, 2022

Larch Hills Nordic Society
Financial Statements
For the Year Ended September 30, 2022

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Independent Practitioner's Review Engagement Report

To the board of Larch Hills Nordic Society

Report on the Financial Statements

We have reviewed the accompanying financial statements of Larch Hills Nordic Society that comprise the statement of financial position as at September 30, 2022, and the statements of operations, changes in net assets 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

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements 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, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Larch Hills Nordic Society as at September 30, 2022, 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.

Other Matter

The financial statements for the year ended September 30, 2021 were reviewed by another practitioner who expressed an unmodified opinion on those financial statements on March 4th, 2022.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Chartered Professional Accountants

Salmon Arm, British Columbia

TBD

Larch Hills Nordic Society Statement of Financial Position

September 30	2022	Restated (Note 2) 2021
Assets		
Current		
Cash (Note 3)	\$ 243,340	\$ 272,302
Term deposits (Note 4)	-	246,359
Goods and services tax recoverable	10,140	12,021
Prepaid expenses	13,373	19,841
	<u>266,853</u>	<u>550,523</u>
Non-current term deposit (Note 4)	164,544	-
Capital assets (Note 5)	1,161,864	936,186
	<u>\$ 1,593,261</u>	<u>\$ 1,486,709</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 6,183	\$ 60,066
Government remittances payable	667	607
Deferred revenue (Note 7)	22,385	22,792
	<u>29,235</u>	<u>83,465</u>
Deferred capital contributions (Note 6)	726,398	567,691
	<u>755,633</u>	<u>651,156</u>
Net Assets		
Operating Fund	402,162	467,058
Equity in capital assets	435,466	368,495
	<u>837,628</u>	<u>835,553</u>
	<u>\$ 1,593,261</u>	<u>\$ 1,486,709</u>

The accompanying notes are an integral part of these financial statements.

Larch Hills Nordic Society Statement of Changes in Net Assets

For the year ended September 30	Operating Fund	Equity in capital assets	2022 Total	Restated (Note 2) 2021 Total
Opening balance October 1, 2021 prior to restatement	\$ 411,597	\$ 422,149	\$ 833,746	\$ 731,807
Prior period adjustment, Note 2	55,461	(53,654)	1,807	31,773
Corrected balance, beginning of the year	467,058	368,495	835,553	\$ 763,580
Excess of revenues over expenses	26,414	(24,339)	2,075	71,973
Capital asset additions	(287,238)	287,238	-	-
Addition of deferred capital contributions	195,928	(195,928)	-	-
Balance, end of the year	\$ 402,162	\$ 435,466	\$ 837,628	\$ 835,553

The accompanying notes are an integral part of these financial statements.

Larch Hills Nordic Society Statement of Operations

For the year ended September 30	2022	Restated (Note 2) 2021
Revenue		
Memberships	\$ 139,576	\$ 129,476
Amortization of deferred capital contributions	37,221	5,551
Trail fees	32,020	43,995
Larch Hills Jr Racing Team	31,804	36,781
Timber sales	-	23,300
Donations	30,470	12,079
Ski swap	9,898	-
Other revenue	4,465	5,826
Grant	1,648	-
Cross Country BC fees collected	739	1,859
Reino Keski-Salmi Loppet	-	33
	287,841	258,900
Expenses		
Larch Hills Jr Racing Team	62,830	13,092
Amortization	61,560	42,290
Repairs and maintenance	60,709	41,375
Cross Country BC fees paid out	247	1,296
Wages and benefits	24,356	18,467
Gas and oil	15,953	12,873
Insurance	13,914	13,358
Trail construction	-	7,764
Advertising and promotion	10,670	911
Snow removal	5,437	2,750
Office	5,374	4,393
Professional fees	5,200	6,410
Utilities	5,057	3,279
Jack Rabbit program	4,351	3,694
Honorariums	4,300	4,500
Safety committee	2,551	3,402
Telephone and telecommunications	2,136	3,572
Reino Keski-Salmi Loppet	-	1,200
Scholarships	750	1,000
Memberships and licences	313	127
Rental	58	1,174
	285,766	186,927
Excess of revenues over expenses	\$ 2,075	\$ 71,973

The accompanying notes are an integral part of these financial statements.

Larch Hills Nordic Society Statement of Cash Flows

For the year ended September 30	2022	Restated (Note 2) 2021
Cash flows from operating activities		
Cash receipts from customers and donors	\$ 423,982	\$ 859,539
Cash paid to suppliers and employees	(247,521)	(112,440)
	<u>176,461</u>	<u>747,099</u>
Cash flows from investing activities		
Purchase (disposal) of investments	81,815	(37,169)
Acquisition of property and equipment	(287,238)	(551,069)
	<u>(205,423)</u>	<u>(588,238)</u>
Net (decrease) increase in cash	(28,962)	158,861
Cash, beginning of the year	<u>272,302</u>	<u>113,441</u>
Cash, end of the year	<u>\$ 243,340</u>	<u>\$ 272,302</u>

The accompanying notes are an integral part of these financial statements.

Larch Hills Nordic Society Notes to Financial Statements

September 30, 2022

1. Significant Accounting Policies

Nature and Purpose of Organization	The Society is a not-for-profit organization incorporated provincially under the Society Act of British Columbia on August 7, 1980. Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act. The Society runs and operates a cross country ski area in the Larch Hills. The operations are run by the directors and board members, each with specific tasks. The Society operates the area under a licence issued by the Province of British Columbia commencing August 1, 2015 for a term of 30 years.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
Revenue Recognition	The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Restricted investment income that must be maintained as an endowment is credited to net assets. Unrestricted investment income is recognized as revenue when earned. All other unrestricted revenues are recognized in revenue when the significant risks and rewards of ownership are transferred to the customer, which generally occurs when the services are rendered, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

Larch Hills Nordic Society Notes to Financial Statements

September 30, 2022

1. Significant Accounting Policies (continued)

Financial Instruments Financial Instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Cash and Cash Equivalents Cash and cash equivalents consist primarily of cash on hand, bank balances, and term deposits with a maturity period of three months or less from the date of acquisition.

Use of Estimates The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Significant estimates include the useful life of capital assets and completeness of accounts payable and accrued liabilities.

Larch Hills Nordic Society Notes to Financial Statements

September 30, 2022

1. Significant Accounting Policies (continued)

Capital Assets

Purchased tangible capital assets are stated at cost less accumulated amortization.

Construction in progress is not amortized until the tangible capital asset is substantially complete and ready for use.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Trail Lighting	Declining balance	4%
Building - New Chalet	Straight-line	27 years
Buildings	Declining balance	10%
Tracksetting equipment	Declining balance	30%
Equipment	Declining balance	20%
Small tools	Declining balance	100%

When a tangible capital asset no longer contributes to the Society's ability to provide goods and services, or the future economic benefits or service potential of the tangible capital asset is less than its carrying value, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

When a tangible capital asset is disposed of, the difference between the net proceeds on disposition and the net carrying amount is recognized in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset disposed of is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Contributed Services

Volunteers contribute many hours per year to assist the Society in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

Larch Hills Nordic Society Notes to Financial Statements

September 30, 2022

2. Prior period adjustment

During the year management realized that the previous treatment of the grant revenue received related to the Chalet and Lighting projects was incorrect as contributions received were net against the costs of the assets. In addition, it was determined that the deferral method of accounting would be more appropriate for the Society.

The Junior Race Team and Reino Keski-Salmi Loppet are programs run by the Society and the presentation has been changed to reflect this.

The following accounts have changed as a result of the prior period adjustments.

	Restated Amount	Amount as Previously Reported	Difference
Changes to Statement of Financial Position			
Cash	\$ 272,302	\$ 211,362	\$ 60,940
Capital assets	936,186	422,150	514,036
Deferred capital contributions	567,691	-	567,691
Deferred revenue	22,385	-	22,385
Net Assets - Opening	763,580	731,807	31,773
Due from related parties	13,092	-	(13,092)
Net Assets - Amortization	-	37,190	(37,190)
Prepaid expenses	19,841	5,341	(67,156)
Changes to Statement of Operations			
Trail Lighting project donations	-	54,106	(54,106)
Larch Hills Jr Racing Team revenues	36,781	14,450	22,331
Larch Hills Jr Racing Team expenses	13,092	-	(13,092)
Deferred capital contributions	5,551	-	5,551
Amortization expense	(42,290)	-	(42,290)
Total of adjustments			(67,156)
Unadjusted excess of revenues over expenses			139,129
Adjusted excess of revenues over expenses			71,973

The comparative amounts have been restated for this adjustment.

Larch Hills Nordic Society Notes to Financial Statements

September 30, 2022

3. Cash and Cash Equivalents

The cash balance is comprised of the following:

	2022	2021
Cash: Reino Keski-Salmi Loppet (Note 7)	\$ 19,978	\$ 19,978
Cash: Junior racing team	25,648	40,962
Unrestricted cash	197,714	211,362
	<u>\$ 243,340</u>	<u>\$ 272,302</u>

Cash consists of cash balances held by the Loppet and Race team sub-committees and will be utilized by those groups.

4. Term deposits

The carrying amounts of investments are comprised of the following:

	2022	2021
Sascu Credit Union, Term Deposit, 60 months, 3.250%, maturing on August 16, 2027	\$ 163,902	\$ -
Matured during the year	-	101,050
Matured during the year	-	144,432
Accrued interest	642	877
	<u>\$ 164,544</u>	<u>\$ 246,359</u>

Larch Hills Nordic Society Notes to Financial Statements

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5. Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost (Restated Note 2)	Accumulated Amortization (Restated Note 2)
Buildings	\$ 962,417	\$ 375,954	\$ 962,417	\$ 346,283
Tracksetting equipment	251,952	225,399	251,952	214,018
Equipment	47,210	24,215	30,662	20,533
Small tools	13,381	13,381	12,838	12,838
Trail Lighting	547,687	21,834	277,540	5,551
	<u>1,822,647</u>	<u>660,783</u>	<u>1,535,409</u>	<u>599,223</u>
		<u>\$ 1,161,864</u>		<u>\$ 936,186</u>

The buildings included in capital assets are situated on land that is owned by the Government of B.C. The Society has a licence issued by the Government of B.C. to use and operate on the land, which expires August 1, 2045.

6. Deferred Capital Contributions

Deferred capital contributions represent the unamortized portion of contributed capital assets and restricted contributions used to purchase capital assets. The changes in the deferred contributions balance for the period are as follows:

	Beginning balance	Additions	Amortized	Ending balance
Deferred contributions, chalet project	\$ 264,136	\$ -	\$ (20,938)	\$ 243,198
Deferred contributions, lighting project	303,555	195,928	(16,283)	483,200
Totals	<u>\$ 567,691</u>	<u>\$ 195,928</u>	<u>\$ (37,221)</u>	<u>\$ 726,398</u>

Larch Hills Nordic Society Notes to Financial Statements

September 30, 2022

7. Deferred Revenue

Deferred contributions represent unspent resources externally restricted for expenses of a subsequent period. Changes in the deferred contributions balance are as follows:

	Beginning balance	Additions	Recognized	Ending balance
Reino Keski-Salmo Loppet	\$ 21,145	\$ -	\$ (1,167)	\$ 19,978
Carbon offset donations	-	2,407	-	2,407
Grants	1,648	-	(1,648)	-
Totals	\$ 22,793	\$ 2,407	\$ (2,815)	\$ 22,385

8. Line of Credit

The Society has access to an operating loan of \$100,000 bearing interest at a rate of prime plus 2%. This loan is secured against the 2007 Pisten Bully Edge Tracksetter in capital assets. The amount drawn on this loan in the current year is \$nil (2021 - \$nil).

9. Financial Instruments

Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Society will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Society is exposed to this risk mainly in respect of its accounts payable.

The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Society maintains a portion of its invested assets in liquid securities.

There have not been any changes in the risk from the prior year.