

Club Intrawest

Consolidated Financial Statements
December 31, 2014



April 20, 2015

Independent Auditor's Report

To the Members of Club Intrawest

We have audited the accompanying consolidated financial statements of Club Intrawest and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated statements of revenue and expenses and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Club Intrawest and its subsidiaries as at December 31, 2014 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.

PricewaterhouseCoopers LLP

Chartered Accountants

Club Intrawest
 Consolidated Balance Sheet
 As at December 31, 2014

	2014 \$	2013 \$
Assets		
Current assets		
Cash and cash equivalents	31,976,700	29,923,995
Restricted cash	10,235,659	10,011,244
Investments	5,650,628	6,313,003
Accounts receivable	4,778,988	4,533,805
Other receivables	120,408	56,032
Income tax receivable	349,176	1,060,032
Prepaid expenses	786,480	522,871
	<u>53,898,039</u>	<u>52,420,982</u>
Deposits	62,680	57,466
Future income tax asset	72,907	-
Long-term investments	<u>6,291,971</u>	<u>4,785,150</u>
	<u>60,325,597</u>	<u>57,263,598</u>
Liabilities		
Current liabilities		
Unearned resort fees (note 4)	32,050,541	30,592,567
Accounts payable and accrued liabilities	11,325,163	10,175,687
Due to related party (note 5)	1,117,715	1,787,533
	<u>44,493,419</u>	<u>42,555,787</u>
Long-term unearned resort fees	<u>122,884</u>	<u>147,958</u>
	<u>44,616,303</u>	<u>42,703,745</u>
Members' Equity		
Operating Fund	717,088	1,021,322
Capital Fund	<u>14,992,206</u>	<u>13,538,531</u>
	<u>15,709,294</u>	<u>14,559,853</u>
	<u>60,325,597</u>	<u>57,263,598</u>
Contingencies (note 9)		

Approved by the Board of Directors



Director



Director

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

Club Intrawest

Consolidated Statement of Revenue and Expenses and Changes in Fund Balances For the year ended December 31, 2014

	2014			2013
	Operating Fund \$	Capital Fund \$	Total \$	Total \$
Revenue				
Resort fees paid by members	25,763,510	4,966,796	30,730,306	29,410,248
Getaway fees	499,759	-	499,759	406,940
Other revenue	575,796	-	575,796	348,148
Developer resort fee	1,133,849	219,839	1,353,688	1,423,029
Interest income	475,232	231,391	706,623	736,868
Unrealized loss on holding of investments	(1,062)	(82,120)	(83,182)	(161,878)
Realized loss on sale of investments	(140)	(32,560)	(32,700)	(81,177)
Foreign exchange gain	791,250	1,112,791	1,904,041	1,497,437
	29,238,194	6,416,137	35,654,331	33,579,615
Expenses				
Capital expenditures	-	4,395,085	4,395,085	4,879,269
Cleaning and security	546,788	-	546,788	813,189
Income tax recovery	(265,717)	-	(265,717)	(335,429)
Front desk and concierge	2,496,566	-	2,496,566	2,301,932
General and administration	10,689,783	-	10,689,783	10,709,145
Housekeeping	5,414,681	-	5,414,681	4,660,338
Maintenance	3,576,240	-	3,576,240	3,651,786
Management fee (note 5)	3,346,585	567,377	3,913,962	3,844,934
Property taxes	1,219,335	-	1,219,335	1,152,967
Utilities	2,518,167	-	2,518,167	2,230,110
	29,542,428	4,962,462	34,504,890	33,908,241
(Deficiency) excess of revenue over expenses for the year	(304,234)	1,453,675	1,149,441	(328,626)
Fund balances - Beginning of year	1,021,322	13,538,531	14,559,853	14,888,479
Fund balances - End of year	717,088	14,992,206	15,709,294	14,559,853

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

Club Intrawest

Consolidated Statement of Cash Flows

For the year ended December 31, 2014

	2014 \$	2013 \$
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year	1,149,441	(328,626)
Items not affecting cash		
Unrealized foreign exchange	1,215,731	906,985
Unrealized loss on holding of investments	(83,182)	(161,878)
Future income taxes	(72,907)	-
	<hr/>	<hr/>
	2,209,083	416,481
Changes in non-cash working capital items		
Accounts receivable	(391,950)	39,709
Other receivables	(64,376)	24,030
Unearned resort fees	1,639,677	877,365
Due from/to related party	(808,191)	1,947,284
Prepaid expenses and other assets/liabilities	(268,822)	(19,315)
Accounts payable and accrued liabilities	1,149,474	3,278,483
Income taxes receivable	710,856	(1,376,236)
	<hr/>	<hr/>
	4,175,751	5,187,801
Cash flows from financing activities		
Net increase in restricted cash	<hr/>	<hr/>
	(224,414)	(8,355,021)
Cash flows from investing activities		
Realized loss on sale of investments	(32,700)	(81,177)
Net decrease in investments	<hr/>	<hr/>
	(1,865,932)	(3,500,756)
	<hr/>	<hr/>
	(1,898,632)	(3,581,933)
Increase (decrease) in cash and cash equivalents	2,052,705	(6,749,153)
Cash and cash equivalents - Beginning of year	<hr/>	<hr/>
	29,923,995	36,673,148
Cash and cash equivalents - End of year	<hr/>	<hr/>
	31,976,700	29,923,995

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

Club Intrawest

Notes to Consolidated Financial Statements

December 31, 2014

1 Nature of operations

Club Intrawest (the Club) is a non-stock, non-profit company organized and existing under the laws of the State of Delaware, United States of America. The Club issues points to Intrawest ULC in return for whole or partial interest in real estate units that are directly transferred to a trust and held for the sole beneficial interest of the members who purchase points. The Club was established to provide a vacation program for the benefit of persons owning resort points sold by Intrawest ULC entitling them to reserve the occupancy of certain resort accommodation.

As agent of the members, the Club reimburses the manager (Intrawest ULC) for expenses incurred. These costs are proportionately recovered from members as resort fees. The Club, as an agent of the members, also earns incidental revenue in the form of getaway fees and other revenue. These financial statements include the operating assets and liabilities and operating revenue and expenses of the Club.

The members' assets, including real estate and equipment at Club locations, are held in trust by Computershare Trust Company of Canada, FNTC American Holding Corp., FNTC America Ltd., City National Bank, N.A., and Bank of America Mexico, S.A. for the Club members who are the beneficial owners of the assets. Accordingly, the cost of the real estate and equipment at Club locations is not included in these financial statements.

At certain Club locations, the Club's facilities and those adjacent properties owned by Intrawest ULC are operated on a common management basis. Accordingly, certain costs and revenues must be allocated between the Club and Intrawest ULC.

2 Significant accounting policies

Basis of presentation

The consolidated financial statements have been prepared in Canadian dollars in accordance with Canadian accounting standards for not-for-profit organizations (ASPNO) as issued by the Canadian Accounting Standards Board.

Principles of consolidation

These consolidated financial statements include the accounts of the Club and its wholly owned subsidiaries, Club Intrawest Mexico SRL and Club Intrawest Mexico LLC. These companies were formed for the purpose of carrying on business in Mexico. The consolidated financial statements are prepared in accordance with ASNPO.

Variable interest entities

The Club has determined that it has significant variable interest in certain variable interest entities (VIEs) holding members' assets for which it is not the primary beneficiary and therefore that it is not required to consolidate them.

Club Intrawest

Notes to Consolidated Financial Statements

December 31, 2014

Revenue recognition

Operating Fund

The Club follows the deferral method of accounting for fees in the Operating Fund. Fees received in advance for services are accounted for using the deferral method, whereby such amounts are deferred and recorded as income in the period in which the service is provided.

Capital Fund

The Club follows the restricted fund method of accounting for fees in the Capital Fund. Resort fees for capital activities are recorded as income in the period in which the fee is assessed. Capital fees received prior to the assessment year are deferred.

Cash and cash equivalents

Cash and cash equivalents comprise cash in the bank and highly liquid investments showing maturities of three months or less at the acquisition date.

Restricted cash

The balance is subject to internally and externally imposed restrictions. Internal restrictions relate to the Investment Reserve accounts. The Club holds bonds that carry cash balances which cannot be withdrawn for operating purposes. Investments are held with custodian Pershing Advisor Solutions LLC, a subsidiary of the Bank of New York Mellon Corporation, and managed by Rainier Group Investment Advisor, LLC.

Current investments

Current investments comprise highly liquid investments with maturities greater than three months but less than one year, as well as bond securities. The bonds have a maturity date of less than 12 months from the consolidated balance sheet date.

Foreign currency translation

The Club's foreign operations are considered to be integrated. Accordingly, monetary items are translated at the rates of exchange in effect at the consolidated balance sheet date, and non-monetary items translated at historical exchange rates. Revenues and expenses are translated at the average rate of exchange in effect during the period in which they occur. Gains and losses on translation of monetary items are included in the consolidated statement of revenue and expenses and changes in fund balances.

Club Intrawest

Notes to Consolidated Financial Statements

December 31, 2014

Use of estimates

The preparation of consolidated financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those reported.

Income taxes

Future income taxes are provided for using the future income taxes liability method. Under this method, future income taxes are recognized for all significant temporary differences between tax and financial statement bases of assets, liabilities and certain carry-forward items. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that they will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

Financial instruments

Cash and cash equivalents are valued at fair value at each year-end based on the most recent bid prices, and transaction costs are expensed as incurred.

Investments are measured at fair value on the consolidated balance sheet with changes in fair value recorded in net income.

Accounts receivable and other receivables are classified as loans and receivables, and are measured at amortized cost.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

Liabilities are classified as other financial liabilities and measured at amortized cost.

3 Change in estimate

During 2011, the Club changed its tax treatment of accruals for goods and services tax (GST)/harmonized sales tax (HST). The revenues collected and the expenses accrued related to GST/HST are now treated as capital items for tax as any excess of revenue over expense upon settlement will remain in the Capital Fund.

4 Unearned resort fees

Included in unearned resort fees is \$5,131,292 (2013 - \$4,897,870) of capital resort fees that pertain to 2014 fee assessments.

Club Intrawest

Notes to Consolidated Financial Statements

December 31, 2014

5 Related party balances and transactions

Intrawest ULC, the developer of the resort properties, provides management services to the Club. A management fee is charged at 15% (Whistler, Tremblant) and 10% (Palm Desert, Blue Mountain, Panorama, Vancouver, Sandestin, Mexico) of expenses and incidental revenues, excluding revenues and expenses for third party services, and revenue from getaway fees. Revenue and expenses recorded by the Vancouver Office are charged at 15%. Revenue and expenses from third party services are subject to a 5% management fee. The management fee for the current year is \$3,913,962 (2013 - \$3,844,934).

At December 31, 2014, 162,859 of 4,306,894 points (2013 - 141,094 of 4,222,121) were held by Intrawest ULC for future sale. During the year, resort fees of \$1,353,687 (2013 - \$1,423,029) and contributions to the Capital Fund of \$219,839 (2013 - \$227,827) related to points held by Intrawest ULC were charged to Intrawest ULC.

At December 31, 2014, \$1,117,715 was due to Intrawest ULC and its subsidiaries; in 2013 \$1,787,533 was due from Intrawest ULC and its subsidiaries.

Traner Smith & Company, PLLC, a certified public accountant firm, provides tax services to the Club. Kenneth Smith, a shareholder of Traner Smith & Company, PLLC, is also a current director on the Club's Board of Directors. The tax services fee for the current year occurred in the normal course of business and is recorded at the exchange amount of \$16,846 (2013 - \$28,287).

6 Variable interest entities

The Club has a variable interest in the trusts established to hold the real estate and equipment at Club locations. The Club has concluded that it is not the primary beneficiary of the variable interest entities (VIEs) and is not required to consolidate these trusts.

At December 31, 2014, the trusts held the following real estate and related equipment and fixtures:

Location	Number of units	
	2014	2013
Whistler	114	114
Tremblant	53	53
Panorama	22	22
Blue Mountain	62	62
Vancouver	29	29
Palm Desert	66	66
Sandestin	59	59
Mexico		
Whole units	54	54
728 weeks in 15 units (equivalent)	15	15
Ucluelet	10	-
	<hr/>	<hr/>
	484	474

Club Intrawest

Notes to Consolidated Financial Statements

December 31, 2014

7 Financial instruments

Fair values

The Club's financial instruments consist of cash and cash equivalents, accounts receivable, other receivables and accounts payable and accrued liabilities. The estimated fair values of these financial instruments approximate their carrying values due to the short-term nature of the accounts. Investments are measured at fair market value.

Interest rate, credit and currency risks

The Club is exposed to currency risk on certain balances, including accounts payable and accrued liabilities and accounts receivable, which are denominated in US dollars and Mexican pesos. The Club manages currency risk by holding funds in the same currency as expected expenses and entering into forward contracts to purchase currencies to match expenses.

The Club is exposed to credit risk on its investments in government and corporate bond securities. The Club manages credit risk by only investing in securities with a credit rating of at least A by at least one rating agency. The overall portfolio in the reserve fund will have a minimum A credit rating and the overall portfolio in the Operating Fund will have a minimum AA credit rating.

It is management's opinion that the Club is not exposed to significant interest rate or credit risk arising from these financial instruments.

8 Government remittances

Government remittances consist of amounts (such as property taxes, sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts become due. The government remittance amounts other than sales taxes for 2014 and 2013 are in a receivable position resulting in no payable amounts at period end.

Certain additional amounts have been accrued in the consolidated financial statements related to the GST payable (note 9). These amounts are currently in dispute and final amounts are being negotiated with the Canada Revenue Agency (CRA).

Club Intrawest

Notes to Consolidated Financial Statements

December 31, 2014

9 Contingencies

In 2008, the Club received notification that the Canada Revenue Agency (CRA) was preparing an assessment for GST against the Club. The CRA stated that it intended to assess the Club for amounts billed to members as resort fees related to Canadian operations.

In 2010, the Club paid assessments from CRA totaling \$1,939,464 relating to years 2002 - 2008. The funds required to make this payment were transferred from the Capital Fund to the Operating Fund.

The Club has and continues to oppose the CRA's position and has issued notices of objection on all assessments. The final outcome of this matter cannot be predicted with certainty, and therefore, there can be no assurance that its final resolution will be in favor of the Club.