EXA-37

TAX COURT OF CANADA
COUR CANADIENNE DE L'IMPÔT
NAME / NOM: Club Intrawest
EXHIBIT / PIÈCE: A-37
DATE: November 25, 2014
S. Lee
COURT REGISTRAR - GREFFIER DE LA COUR
N°: 2012-3401(GST)G

Club Intrawest

Consolidated Financial Statements
December 31, 2006

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PRICEWATERHOUSECOOPERS

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April 12, 2007

Auditors' Report

To the Members of
Club Intrawest

We have audited the consolidated balance sheet of **Club Intrawest** as at December 31, 2006 and the consolidated statement of revenue and expenses and changes in fund balances for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Club as at December 31, 2006 and the results of its operations and the changes in its fund balances for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Club Intrawest

Consolidated Balance Sheet

As at December 31, 2006

	2006 $	2005 $
Assets		
Current assets		
Cash and short-term investments	19,667,177	16,348,061
Investments (market value - $11,485,791 - 2005 - $8,832,187)	11,594,257	9,010,355
Accounts receivable (note 5)	5,549,347	4,410,784
Other receivables (note 5)	355,695	828,708
Prepaid expenses	677,175	157,603
	37,843,651	30,755,511
Deposits	62,967	62,967
	37,906,618	30,818,478
Liabilities		
Current liabilities		
Unearned resort fees (note 4)	19,707,741	17,803,255
Accounts payable and accrued liabilities (note 5)	8,517,630	5,260,920
	28,225,371	23,064,175
Members' Equity		
Operating Fund	(251,850)	(378,183)
U.S. Workers' Compensation Insurance Reserve Fund	233,753	233,263
Capital Fund	9,699,344	7,899,223
	9,681,247	7,754,303
	37,906,618	30,818,478

Subsequent events (note 8)

Approved by the Board of Directors

_____ Director

_____ Director

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

Club Intrawest

Consolidated Statement of Revenue and Expenses and Changes in Fund Balances

For the year ended December 31, 2006

	Operating Fund $	Capital Fund $	U.S. Workers' Compensation Insurance Reserve Fund $	2006' Total $	2005 Total $
Revenue					
Resort fees paid by members	15,974,922	2,601,569	-	18,576,491	16,305,095
Getaway fees	869,335	-	-	869,335	889,797
Other revenue	550,263	-	-	550,263	587,878
Lease apportionment	6,913	-	-	6,913	5,511
Developer resort fee	695,827	113,274	-	809,101	904,528
Foreign exchange gain	166,293	73,623	490	240,406	29,718
Interest income	594,187	376,585	-	970,772	535,582
	18,857,740	3,165,051	490	22,023,281	19,258,109
Expenses					
Capital expenditures	-	1,364,930	-	1,364,930	1,040,827
Cleaning and security	467,872	-	-	467,872	439,406
Front desk and concierge	1,737,120	-	-	1,737,120	1,589,720
General and administration	5,259,727	-	-	5,259,727	4,656,875
Housekeeping	3,627,931	-	-	3,627,931	3,157,754
Maintenance	2,045,098	-	-	2,045,098	1,886,247
Management fee (note 5)	2,586,236	-	-	2,586,236	2,297,507
Property taxes	1,083,130	-	-	1,083,130	1,146,386
Utilities	1,924,293	-	-	1,924,293	1,634,815
	18,731,407	1,364,930	-	20,096,337	17,849,537
Excess of revenue over expenses for the year	126,333	1,800,121	490	1,926,944	1,408,572
Fund balances - Beginning of year					
As previously reported	(378,183)	7,899,223	233,263	7,754,303	7,168,655
Restatement of foreign exchange losses	-	-	-	-	(822,924)
As adjusted	(378,183)	7,899,223	233,263	7,754,303	6,345,731
Fund balances - End of year	(251,850)	9,699,344	233,753	9,681,247	7,754,303

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

Club Intrawest

Notes to Consolidated Financial Statements
December 31, 2006

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 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, other revenue and lease apportionment. 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, BNY Trust Company of Florida, N.A., BNY Western Trust Company, N.A. and ABN - Amro Bank S.A. Mexico 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 are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

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.

Fund accounting

The Club maintains its consolidated accounts in accordance with the principles of fund accounting. The consolidated financial statements include the accounts of the Club and its wholly owned subsidiaries. Resources are classified for accounting and reporting purposes into funds according to the activity or objective specified.

The Operating Fund reports the general operating activities of the Club.

The Capital Fund reports the Club's activities related to the improvement and replacement of resort accommodation and facilities.

The U.S. Workers' Compensation Insurance Reserve Fund reports the Club's activities related to the accumulation of Funds to cover the Club's future workers' compensation deductible.

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.

U.S. Workers' Compensation Insurance Reserve Fund

The Club maintains an internally restricted, U.S. Workers' Compensation Insurance Reserve. The Reserve was established to accumulate funds to cover the Club's future workers' compensation insurance deductible. In the prior year, the Club approved the transfer of an additional amount of $nil (2005 - $92,452) from the Operating Fund to the Reserve. Future U.S. Workers' Compensation insurance claims will be expensed in the Operating Fund with equivalent amounts transferred from the Reserve. There were no U.S. Workers' Compensation claims during the year.

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 bank and highly liquid investments showing maturities of three months or less at the acquisition date.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Exchange differences are included in income as they arise. Revenue and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date.

Use of estimates

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

Statement of cash flows

A statement of cash flows has not been presented as management does not believe that it would provide additional meaningful information as the Club does not engage in significant investing or financing activities and its cash flows are generated only from operating activities.

3 Changes in accounting policies

Variable interest entities

On June 2003, the Canadian Institute of Chartered Accountants (CICA) issued Accounting Guideline 15, "Consolidation of Variable Interest Entities (VIE): (AcG 15)", which clarifies the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interest. The guideline requires companies to identify VIE's in which they have an interest, determine whether they are primary beneficiary of the VIE and, if so, consolidate the VIE. The primary beneficiary is the party, if any, that will receive a majority of the VIE's expected residual returns, or absorb the majority of its expected losses, or both.

The Club has determined that it has significant variable interest in certain VIE's holding members assets for which it is not the primary beneficiary (see note 1). The adoption of this guideline had no impact on the consolidated financial statements.

Translation of foreign exchange transaction and balances

As a result of a review of its accounting policies and applicable accounting pronouncements, the company concluded that unrealized foreign exchange losses should be recorded through the statement of revenue and expenses on a retroactive basis.

3 Changes in accounting policies

Variable interest entities

On June 2003, the Canadian Institute of Chartered Accountants (CICA) issued Accounting Guideline 15, "Consolidation of Variable Interest Entities (VIE): (AcG 15)", which clarifies the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interest. The guideline requires companies to identify VIE's in which they have an interest, determine whether they are primary beneficiary of the VIE and, if so, consolidate the VIE. The primary beneficiary is the party, if any, that will receive a majority of the VIE's expected residual returns, or absorb the majority of its expected losses, or both.

The Club has determined that it has significant variable interest in certain VIE's holding members assets for which it is not the primary beneficiary (see note 1). The adoption of this guideline had no impact on the consolidated financial statements.

Financial Instruments

Effective January 1, 2007, the following new accounting pronouncements came into effect: CICA Handbook Section 1530 "Comprehensive Income" and CICA Handbook Section 3855 "Financial Instruments - Recognition and Measurement". CICA Handbook Section 3855 introduces new requirements for the recognition and measurement of financial instruments. CICA Handbook Section 1530 introduces a new requirement to temporarily present certain gains and losses outside net income in a location called "Other Comprehensive Income". The Club will adopt these standards effective January 1, 2007 and does not expect the adoption of these standards to have a material impact on the Club's financial statements.

4 Unearned resort fees

Included in unearned resort fees is $2,759,083 (2005 - $2,529,491) of capital resort fees that pertain to 2007 fee assessments.

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, Kauai) 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 was $2,586,236 (2005 - $2,297,507).

At December 31, 2006, 160,699 of 3,402,902 points (2005 - 169,399 of 3,243,510) were held by Intrawest ULC for future sale. During the year, resort fees of $809,101 (2005 - $777,894) and contributions to the Capital Fund of $113,274 (2005 - $126,634) related to points held by Intrawest ULC were charged to Intrawest ULC.

Included in accounts receivable is $102,264 (2005 - $323,521) due from Intrawest ULC. Included in other receivables is $31,885 (2005 - $36,137) due from Intrawest ULC and its subsidiaries.

Included in accounts payable and accrued liabilities is $3,923,583 (2005 - $4,254,122) due to Intrawest ULC and its subsidiaries.

6 Variable interest entities

As explained in note 3, 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 and is not required to consolidate these trusts.

At December 31, 2006, the trusts held the following real estate and related equipment and fixtures:

	Number of units	
	2006	2005
Location		
Whistler	113	113
Tremblant	53	53
Panorama	22	22
Blue Mountain	33	33
Vancouver	20	20
Palm Desert	60	60
Sandestin	48	48
Kauai	10	10
Zihuatanejo	26	11
	385	370

7 Financial instruments

Fair values

The Club's financial instruments consist of cash and short-term investments, 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.

The market value of investments is disclosed on the balance sheet.

Interest rate, credit and currency risks

The Club is exposed to currency risk on certain balances including accounts payable, accrued liabilities and accounts receivable, which are denominated in U.S. dollars and Mexican pesos. The Club manages currency risk by holding funds in the same currency as expected 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 not less than A 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 Subsequent events

a) Kauai substitution of 10 units

On January 27, 2002, the Board of Directors approved a plan which will allow the substitution of all 10 units of the Hawaiian Vacation Homes provided that the substitution of the Vacation Homes is completed prior to January 31, 2012. The Developer intends to substitute 10 units in Kauai for alternative vacation accommodation.

b) Blue Mountain

Subsequent to year-end, a flood caused by a burst pipe at Blue Mountain caused damage to six units. Management estimates the cost to repair the damage will be approximately $80,000 and, except for a $5,000 deductible, will be covered entirely by the Club's insurance provider.