

THE CASCADES IN ROYAL OAK RESIDENTS ASSOCIATION

Financial Statements

Year Ended March 31, 2016

Draft November 10, 2016

Prepared by	Reviewed by
TN 11/02/16	

THE CASCADES IN ROYAL OAK RESIDENTS ASSOCIATION

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Year Ended March 31, 2016

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Draft November 10, 2016

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CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Owners of The Cascades in Royal Oak Residents Association

We have audited the accompanying financial statements of The Cascades in Royal Oak Residents Association, which comprise the statements of financial position as at March 31, 2016 and March 31, 2015 and the statements of revenues and expenditures and changes in net assets and cash flows for the years ended March 31, 2016 and March 31, 2015, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

(continues)

Independent Auditor's Report to the Owners of The Cascades in Royal Oak Residents Association
(continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Cascades in Royal Oak Residents Association as at March 31, 2016 and March 31, 2015 and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta
November 10, 2016

Cremers & Elliott
CHARTERED ACCOUNTANTS

Draft November 10, 2016

THE CASCADES IN ROYAL OAK RESIDENTS ASSOCIATION

Statement of Financial Position

March 31, 2016

	Capital Replacement Reserves	Operating Fund	Total	Total
	2016	2016	2016	2015
ASSETS				
CURRENT				
Cash	\$ -	\$ 95,974	\$ 95,974	\$ 122,395
Accounts receivable	-	51,097	51,097	35,461
Prepaid expenses	-	-	-	2,677
Total Current Assets	-	147,071	147,071	160,533
INVESTMENTS (Note 3)	284,574	-	284,574	269,092
	\$ 284,574	\$ 147,071	\$ 431,645	\$ 429,625
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable	\$ -	\$ 9,559	\$ 9,559	\$ 4,762
Goods and services tax payable	-	6,067	6,067	5,949
Prepaid residents fees	-	12,815	12,815	46,332
	-	28,441	28,441	57,043
NET ASSETS (Notes 2, 4)	284,574	118,630	403,204	372,582
	\$ 284,574	\$ 147,071	\$ 431,645	\$ 429,625

ON BEHALF OF THE BOARD

_____ Director

_____ Director

THE CASCADES IN ROYAL OAK RESIDENTS ASSOCIATION
Statement of Revenues and Expenditures and Changes in Net Assets
Year Ended March 31, 2016

	Budget	Capital Replacement Reserves	Operating Fund	Total	Total
	2016	2016	2016	2016	2015
REVENUE					
HOA fees	\$ 167,200	\$ -	\$ 167,802	\$ 167,802	\$ 167,418
Miscellaneous/GST recovery for 2012	1,500	-	4,966	4,966	3,560
Interest	500	629	57	686	2,087
Monthly contrubutions	(14,853)	14,853	(14,853)	-	-
	154,347	15,482	157,972	173,454	173,065
EXPENSES (Schedule 1)	155,645	-	142,832	142,832	133,290
NET EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(1,298)	15,482	15,140	30,622	39,775
NET ASSETS - BEGINNING OF YEAR	-	269,092	103,490	372,582	332,807
NET ASSETS - END OF YEAR	\$ (1,298)	\$ 284,574	\$ 118,630	\$ 403,204	\$ 372,582

THE CASCADES IN ROYAL OAK RESIDENTS ASSOCIATION

Statement of Cash Flows

Year Ended March 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 30,622	\$ 39,775
Changes in non-cash working capital:		
Accounts receivable	(15,636)	(18,171)
Accounts payable	4,797	1,495
Prepaid expenses	2,677	(1,472)
Goods and services tax payable	118	3,704
Prepaid HOA fees	(33,517)	46,332
	<u>(41,561)</u>	31,888
INCREASE (DECREASE) IN CASH FLOW	(10,939)	71,663
Cash - beginning of year	391,487	319,824
CASH - END OF YEAR	380,548	391,487
CASH CONSISTS OF:		
Cash	\$ 95,974	\$ 122,395
Reserve fund investments	284,574	269,092
	<u>\$ 380,548</u>	<u>\$ 391,487</u>

Draft November 10, 2016

THE CASCADES IN ROYAL OAK RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2016

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Residents Association is a non-profit organization and the common area assets of the condominium are owned proportionately by the owners of the units and as such are not reflected as assets in these financial statements. The purpose of the Residents Association is to manage the common area assets and to maintain and provide services with respect to the day to day operations of the condominium.

The financial statements include only assets, liabilities, revenues and expenses relating to the operations of Residents Association. The statements do not include the cost of land or buildings and the outstanding principal balances owing on mortgages, which are the responsibility of the owners.

The Residents Association is a tax exempt organization for income tax purposes and has therefore made no provisions for income taxes on these financial statements.

Measurement uncertainty

When preparing financial statements according to Canadian accounting standards for not-for-profit organizations, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the Residents Association may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts and useful lives of capital assets.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed certificates and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than five years.

(continues)

THE CASCADES IN ROYAL OAK RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2016

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

Fund Accounting

The Residents Association follows the restricted method of accounting for contributions.

The operating fund accounts for the condominium's operating and administrative activities.

The capital replacement reserve fund reports the fee assessments from unit owners that are to be set aside and used for future costs or major repairs or replacements.

Revenue Recognition

The Residents Association recognizes condominium fee assessments related to general operations as revenue of the operating fund as billed to the owners. Billings for the condominium fees consist of estimates of monthly charges based on approved budgets. All expenses are recognized as they are incurred.

The condominium fees related to the Capital Replacement Reserve Fund are recognized as revenue of the Capital Replacement Reserve Fund.

Investment income earned on the Reserve Fund Investments are recognized as revenue of the Capital Replacement Reserve Fund.

Contributed Services

Volunteer services contributed on behalf of the Residents Association in carrying out its operating activities are not recognized in these financial statements due to the difficulty of determining their fair value.

Financial Instruments

The Residents Association's financial instruments consist of cash, investment certificates, accounts receivable, prepaid expenses, and accounts payable. Unless otherwise indicated, it is management's opinion that the Residents Association is not exposed to significant interest or credit risk arising from these financial instruments. Accounts receivable and accounts payable are initially measured at fair value and subsequently measured at amortized cost. Gains and losses are recognized in the statement of operations. The fair value of cash, accounts receivable, and accounts payable approximate their carrying values due to their short term nature.

Reserve Fund Investments

The Residents Association has elected to classify Guaranteed Investment Certificates held in the reserve fund as held for trading. As such, the investments are measured at fair value and any gains and losses are recognized in the statement of operations or allocated to the restricted fund as required.

(continues)

THE CASCADES IN ROYAL OAK RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Replacement Reserve Fund

The Capital Replacement Reserve Fund is a fund required under the By-laws of the Residents Association to be established and maintained for the repair or replacement of any real and personal property owned by the Residents Association and the common property where such repair or replacement does not occur annually. When expenditures of a capital nature or for a major repair are incurred, they are charged against the reserve. The amount to be allocated to the Reserve Fund from operations is determined by the Board of Directors of the Residents Association.

Budget

The budget figures that appear on the statement of operating income are those approved by the Board of Directors and are presented for comparison purposes only. They have not been audited or reviewed but they have been reclassified to conform to the presentation in these financial statements.

3. INVESTMENTS HELD FOR THE CAPITAL REPLACEMENT RESERVE FUND ASSETS, AT FAIR VALUE

	<u>2016</u>
Reserve fund cash	\$ 84,272
Manulife mutual funds	29,098
Manulife equities	25,710
GIC @ 2.25% Maturity Sept 19/17	51,911
GIC @ 2.40% Maturity Sept 19/18	46,666
GIC @ 2.6% Maturity Sept 19/19	46,806
Manulife cash	<u>111</u>
	<u>\$ 284,574</u>

THE CASCADES IN ROYAL OAK RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2016

4. ADEQUACY OF THE CAPITAL REPLACEMENT RESERVE FUND

These financial statements do not purport to show the adequacy of the capital replacement reserve fund. In determining the allocation to the Capital Replacement Reserve Fund and the adequacy of the fund balance the Board of Directors exercises judgment, principally, in the following areas:

- Obtaining an inventory of common property components that will require replacement;
- Determining the state of these components and their expected remaining useful life;
- Estimating the replacement cost at the expected time of replacement; and
- Forecasting the expected rate of return on the funds investments.

An independent reserve fund study was conducted in 2012. In the opinion of the professional reserve fund planners who completed the study, the Capital Replacement Reserve Fund should have a balance as summarized below.

	Balance Beginning of Year	Transfers from Operations	Interest Earned	Expenses Allocated to Reserve Fund	Balance End of Year
2016 Projected	\$ 105,918	\$ 15,298	\$ 4,237	\$ (12,042)	\$ 113,411
2016 Actual	\$ 269,092	\$ 14,853	\$ 629	\$ -	\$ 284,574
2016 Over(under)	\$ 163,174	\$ (445)	\$ (3,608)	\$ 12,042	\$ 171,163
2017 Projected	\$ 113,411	\$ 15,757	\$ 4,536	\$ (28,344)	\$ 105,360
2018 Projected	\$ 105,361	\$ 16,230	\$ 4,214	\$ (6,805)	\$ 119,000
2019 Projected	\$ 119,000	\$ 16,717	\$ 4,760	\$ (18,078)	\$ 122,399
2020 Projected	\$ 122,399	\$ 17,218	\$ 4,897	\$ (886)	\$ 143,628

The full study is available to the reader and should be examined to fully comprehend the purpose, the assumptions and the conclusions of the study.

THE CASCADES IN ROYAL OAK RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2016

5. FINANCIAL INSTRUMENTS

The Residents 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 Residents Association's risk exposure and concentration as of March 31, 2016.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Residents Association is exposed to this risk mainly in respect of its accounts payable.

Market risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Residents Association is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Residents Association manages exposure through its normal operating and financing activities. The Residents Association is exposed to interest rate risk primarily through its reserve fund investments.

6. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

THE CASCADES IN ROYAL OAK RESIDENTS ASSOCIATION

Expenses

(Schedule 1)

Year Ended March 31, 2016

	Budget	Capital Replacement Reserves	Operating Fund	Total	Total
	2016	2016	2016	2016	2015
Landscape and snow removal	\$ 80,515	\$ -	\$ 75,329	\$ 75,329	\$ 80,285
Management fees	27,280	-	27,280	27,280	27,394
Utilities	9,500	-	15,037	15,037	8,213
Office/website	16,000	-	8,928	8,928	8,482
Future projects	10,000	-	4,361	4,361	-
Insurance	1,850	-	3,201	3,201	1,854
General repairs and maintenance	-	-	2,750	2,750	-
Audit	3,000	-	2,553	2,553	3,372
Bank charges	-	-	1,959	1,959	3,499
Electrical repairs	1,500	-	798	798	191
Pond maintenance	6,000	-	636	636	-
	\$ 155,645	\$ -	\$ 142,832	\$ 142,832	\$ 133,290

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