

# Larch Homeowners Association

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FINANCIAL STATEMENTS

DECEMBER 31, 2019

# Larch Homeowners Association

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DECEMBER 31, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Owners of Larch Homeowners Association:

### **Opinion**

We have audited the accompanying financial statements of the Larch Homeowners Association, which comprise the statement of financial position as at December 31, 2019, and the statements of operations and changes in fund balance for the operating fund, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Matter**

The financial statements for the year ended as at December 31, 2018 were audited by another auditor who expressed an unmodified opinion on March 25, 2019.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on our website at: [www.cassfraser.ca/responsibilities-of-an-auditor](http://www.cassfraser.ca/responsibilities-of-an-auditor). This description forms part of our auditor's report.

The signature logo for Cass &amp; Fraser, featuring the company name in a stylized, cursive script.

Cass & Fraser Chartered Professional Accountants

Edmonton, Alberta  
October 9, 2020

# Larch Homeowners Association

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	December 31, 2019	December 31, 2018
		<i>Restated (note 5)</i>
<b>Current Assets</b>		
Cash	\$ 103,344	\$ 99,120
Association fees receivable	11,189	-
Prepaid insurance	847	1,106
	<hr/>	<hr/>
	\$ 115,380	\$ 100,226
<b>Current Liabilities</b>		
Accounts payable	\$ 1,681	\$ 17,362
GST payable (credit)	(895)	3,767
Prepaid fees	75	-
	<hr/>	<hr/>
	861	21,129
<b>Net Assets</b>		
Operating fund	114,519	79,097
	<hr/>	<hr/>
	\$ 115,380	\$ 100,226

# Larch Homeowners Association

STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
OPERATING FUND

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 Budget <i>(note 4)</i>	2019 Actual	2018 Actual <i>Restated (note 5)</i>
<b>Revenues</b>			
Association fees	\$ 63,800	\$ 63,800	\$ 62,497
Builder fees on land purchase	7,583	7,583	2,896
Settlement revenue	-	5,674	-
Interest	-	1,318	234
Other	-	570	290
	<b>71,383</b>	<b>78,945</b>	<b>65,917</b>
<b>Administration</b>			
Bank charges	-	1,754	8,147
Community event	4,000	2,960	2,256
General and administrative	3,000	2,684	6,760
Professional fees	12,000	2,850	25,400
Website	3,000	1,581	3,210
<b>Utilities</b>			
Electric energy	1,800	259	137
<b>Maintenance</b>			
Landscaping	40,000	30,667	55,310
<b>Other</b>			
Insurance	4,000	768	-
	<b>67,800</b>	<b>43,523</b>	<b>101,220</b>
Revenues over expenses	\$ 3,583	35,422	(35,303)
Operating fund balance at beginning of year		79,097	114,400
Operating fund balance at end of year		\$ 114,519	\$ 79,097

# Larch Homeowners Association

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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Cash flows from operating activities		
Association fees	\$ 62,810	\$ 176,897
Interest and investment income	1,318	235
Other revenues	571	3,185
Cash paid to suppliers	(60,475)	(81,197)
Net cash provided by (used in) operating activities	4,224	99,120
Cash, beginning of year	99,120	-
Cash, end of year	\$ 103,344	\$ 99,120
Cash and cash equivalents are comprised of:		
Cash	\$ 103,344	\$ 99,120

# Larch Homeowners Association

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

## 1 Purpose and Income Tax Status

Larch Homeowners Association (The "Association") is a home owners' association registered under the Societies Act of Alberta on November 8, 2010. Operations of the Association commenced in 2018. Its function is to hold leases, easements and other rights in, to and over portions of the Subdivided Lots within the Larch Park Subdivision.

The Association is a not-for-profit corporation under the Income Tax Act, and is therefore exempt from income taxes.

## 2 Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies are described below.

### (a) Fund Accounting

The Operating Fund accounts for the Association's operating and administrative activities.

There are currently no other funds.

### (b) Revenue Recognition

Association fees related to general operations are recognized as revenue of the operating fund as billed to the owners by the Association. Billings consist of monthly charges based on the annual budget approved by the Board of Directors. All expenses are recognized as incurred.

### (c) Contributed Services

Volunteer services contributed on behalf of the Association are not recognized in these financial statements due to the difficulty in determining their fair value.

# Larch Homeowners Association

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(d) Capital Assets

Association units and real property directly associated with those units are not considered to be capital assets of the Association.

Capital assets purchased by the Association are amortized on a straight line basis over the useful life of the assets.

When the Association commenced the operations in 2018, the Developer transferred the assets below, with a fair market value of \$1,727,956. These items are not considered to be capital assets of the Association, as they were considered to be purchased by the homeowners' directly.

Entrance feature	\$246,486
Fences	388,515
Landscaping	17,709
Masonry	948,757
Planting	126,489
<u>Total</u>	<u>\$1,727,956</u>

(e) Cash and Cash Equivalents on the Statement of Cash Flows

Cash and cash equivalents include bank balances and cash held. Short term money market funds are not included as these are considered to be investments.

(f) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Larch Homeowners Association

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

## 3 Financial Instruments

### (a) Financial Instrument Measurement

The Association initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost, except for marketable securities quoted in an active market, which are measured at fair value.

The financial assets subsequently measured at amortized cost include cash and accounts receivable. There were no financial assets subsequently measured at fair value. The financial liabilities measured at amortized cost include accounts payable and GST payable.

### (b) Credit Risk

The Association does not have a concentration of credit exposure with any one party. The Association does not consider that it is exposed to undue credit risk. Credit risk includes the risk that owners will fail to pay their fees.

### (c) Interest Rate Risk

The investments of the Association are subject to interest rate risk because changing interest rates impact the market value of the fixed rate investments.

### (d) Liquidity Risk

Liquidity risk is the risk that the Association may not be able to meet its ongoing commitments to repair, replace and maintain the common property of the Association.

### (e) Risk Management

The Association manages its credit, liquidity and cash flow risk by restricting investments to a diverse range of government and corporate fixed income securities, and corporate shares.. As it is the Association's expectation to hold its investments to maturity, its cash flows are exposed to minimal interest rate and liquidity risk. The Association has the power to place caveats on titles which significantly mitigates credit risk. The Association manages liquidity risk by preparing an annual budget in consideration of the results of its reserve fund study, and may increase fees and assess special levies to ensure it has sufficient funds.

## 4 Budget Amounts

The 2019 budget amounts are presented for information purposes only. They were approved by the Board of Directors and are unaudited.

# Larch Homeowners Association

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

5 Accounting Policy for Capital Assets

In the prior year, \$1,727,956 (*note 2*) was recorded as capital assets cost value and \$59,050 was recorded as accumulated amortization value. Therefore, net capital assets of \$1,668,906 and the same amount of deferred capital contributions were reported in the prior year financial statements. However, these items were not purchased by the Association but by the individual property owners. The Association has therefore approved to restate the results of the prior year. As a result of this change, the prior year capital assets and deferred contribution both decreased to zero, and therefore no impact on the prior year net assets ending balance.

6 Comparative Figures

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

7 Approval of Financial Statements

These financial statements have been approved by the Board of Directors.