

Edmonton Aurora Residents Association

DRAFT FINANCIAL STATEMENTS

DECEMBER 31, 2020

Edmonton Aurora Residents Association

DECEMBER 31, 2020

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DRAFT INDEPENDENT AUDITORS' REPORT

To the Owners of Edmonton Aurora Residents Association:

Opinion

We have audited the accompanying financial statements of the Edmonton Aurora Residents Association, which comprise the statement of financial position as at December 31, 2020, and the statements of operations and changes in fund balances for the operating fund and capital replacement reserve 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, 2020, 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 prior year financial statement was audited by another audit firm and issued an unmodified opinion dated August 31, 2020.

As part of our audit of the 2020 financial statements, we also audited the adjustment described in note 5 that was applied to amend the 2019 financial statements. In our opinion, this adjustment was appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements other than with respect to this adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements taken as a whole.

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. This description forms part of our auditor's report.

Edmonton, Alberta

Edmonton Aurora Residents Association

DRAFT STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u> <i>Restated</i> <i>(note 5)</i>
Current Assets		
Cash	\$ 154,959	\$ 5,452
Accounts receivable	3,853	1,673
Prepaid expenses	217	-
Short term investments	-	101,731
	<hr/> \$ 159,029	<hr/> \$ 108,856
Current Liabilities		
Accounts payable	\$ 3,662	\$ 7,100
GST payable	6,242	2,823
Prepaid fees	150	-
	<hr/> 10,054	<hr/> 9,923
Net Assets		
Operating fund	148,975	98,933
	<hr/> \$ 159,029	<hr/> \$ 108,856

Edmonton Aurora Residents Association

DRAFT STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE OPERATING FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 Budget <i>(note 4)</i>	2020 Actual	2019 Actual <i>Restated (note 5)</i>
Revenues			
Membership fee	\$ 90,900	\$ 91,931	\$ 81,377
Interest	-	134	1,750
Other	-	782	3,670
	90,900	92,847	86,797
Administration			
Bank charges	1,600	2,488	1,757
Community event costs	6,500	-	11,499
Management fees	24,000	-	24,000
Office	3,000	5,688	4,216
Professional fees	750	11,980	7,920
Website	3,500	4,121	4,396
Utilities	2,500	5,335	8,082
Repair and maintenance	25,000	7,843	17,907
Other			
Insurance	4,000	5,350	-
	70,850	42,805	79,777
Revenues over expenses	\$ 20,050	50,042	7,020
Operating fund balance at beginning of year		98,933	91,913
Operating fund balance at end of year		\$ 148,975	\$ 98,933

Edmonton Aurora Residents Association

DRAFT STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2020
		<i>Restated (note 5)</i>
Cash flows from operating activities		
Association fees	\$ 89,901	\$ 67,437
Interest and investment income	1,865	19
Other revenues	782	3,670
Cash paid to suppliers	(43,041)	(88,083)
Net cash provided by (used in) operating activities	49,507	(16,957)
Cash flows from investing activities		
Net redemption (purchase) of GICS	100,000	(100,000)
Increase (decrease) in cash	149,507	(116,957)
Cash, beginning of year	5,452	122,409
Cash, end of year	\$ 154,959	\$ 5,452
Cash and cash equivalents are comprised of:		
Cash	\$ 154,959	\$ 5,452

Edmonton Aurora Residents Association

DRAFT NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

1 Purpose and Income Tax Status

Edmonton Aurora Residents Association (The "Association") is a home owners' association registered under the Societies Act of Alberta. Its function is to regulate the use of the property and to provide repairs, maintenance and other services to the common housing areas, located in Edmonton, Alberta.

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.

The Capital Replacement Reserve Fund reports the amounts that are set aside and used for future costs of major repairs and replacements.

(b) Revenue Recognition and Transfers to the Reserve Fund

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.

(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.

(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.

Edmonton Aurora Residents Association

DRAFT NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(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.

3 Financial Instruments and Risk Management

(a) Financial Instruments

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, cash investment certificates, 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.

Edmonton Aurora Residents Association

DRAFT NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(e) Risk Management

The Association manages its credit, liquidity and cash flow risk by restricting investments to a diverse range of government and corporate preferred shares and fixed income securities.. 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 2020 budget amounts are presented for information purposes only. They were approved by the Board of Directors and are unaudited.

5 Comparative Figures

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

In the prior year report, one stale cheque was turned to be issued for settlement of other entity's invoice; investment interests were not accrued; and accounts receivable balance did not match the arrear list. Restatement for these has been made for 2019, resulting the increase of 2019 cash by \$2,879, short tem investments by \$1,731 and GST payable by \$31, and resulting the decrease of 2019 accounts receivable by \$2,221. Therefore, the opening retained earnings for 2020 has been increased by \$2,358.