

NOLAN HILL RESIDENTS ASSOCIATION

Financial Statements

Year Ended December 31, 2019

NOLAN HILL RESIDENTS ASSOCIATION

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Year Ended December 31, 2019

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Sandhu Professional Corporation

Chartered Professional Accountant

INDEPENDENT AUDITOR'S REPORT

To the Members of Nolan Hill Residents Association

Opinion

I have audited the financial statements of Nolan Hill Residents Association (the Association), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for Opinion

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

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 relating 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.

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Independent Auditor's Report to the Members of Nolan Hill Residents Association (continued)

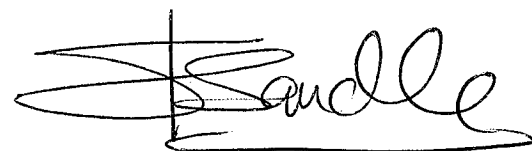
Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Calgary, Alberta
March 25, 2020



Sandhu Professional Corporation
Chartered Professional Accountant

NOLAN HILL RESIDENTS ASSOCIATION

Statement of Financial Position

December 31, 2019

	Reserve fund 2019	Operating fund 2019	Total 2019
ASSETS			
CURRENT			
Cash	\$ 15,080	\$ 55,187	\$ 70,267
Accounts receivable (Note 5)	-	102,373	102,373
Prepaid expenses	-	254	254
	<u>\$ 15,080</u>	<u>\$ 157,814</u>	<u>\$ 172,894</u>
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable and accrued liability	\$ -	\$ 2,702	\$ 2,702
Goods and services tax payable	-	6,469	6,469
Prepaid fees	-	253	253
	-	9,424	9,424
NET ASSETS			
Net assets	<u>15,080</u>	<u>148,390</u>	<u>163,470</u>
	<u>\$ 15,080</u>	<u>\$ 157,814</u>	<u>\$ 172,894</u>

APPROVED ON BEHALF OF THE BOARD

Director

Director

NOLAN HILL RESIDENTS ASSOCIATION
Statement of Revenues and Expenditures
Year Ended December 31, 2019

	Budget 2019	Reserve fund 2019	Operating fund 2019	Total Total 2019
REVENUES				
Association fees	\$ 229,025	\$ -	\$ 229,050	\$ 229,050
Interest and other income	-	80	25,413	25,493
Reserve fund contributions	(10,475)	15,000	-	15,000
	<u>218,550</u>	<u>15,080</u>	<u>254,463</u>	<u>269,543</u>
EXPENSES				
Landscaping	127,835	-	49,185	49,185
Management fees	36,465	-	36,465	36,465
Office	20,000	-	12,832	12,832
Insurance	3,050	-	2,796	2,796
Professional fees	3,000	-	2,547	2,547
Utilities	9,500	-	1,888	1,888
General repairs and maintenance	18,000	-	360	360
Bank charges	700	-	-	-
	<u>218,550</u>	<u>-</u>	<u>106,073</u>	<u>106,073</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ 15,080</u>	<u>\$ 148,390</u>	<u>\$ 163,470</u>

NOLAN HILL RESIDENTS ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2019

	Reserve fund	Operating fund	2019
NET ASSETS - BEGINNING OF YEAR	\$ -	\$ -	\$ -
Excess of revenues over expenses	15,080	148,390	163,470
NET ASSETS - END OF YEAR	\$ 15,080	\$ 148,390	\$ 163,470

NOLAN HILL RESIDENTS ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2019

	2019
CASH PROVIDED BY (USED IN)	
Excess Of Revenues Over Expenses	\$ 163,470
Changes in non-cash working capital:	
Accounts receivable	(102,373)
Accounts payable and accrued liabilities	2,702
Prepaid expenses	(254)
Goods and services tax payable	6,469
Prepaid fees	253
	<u>(93,203)</u>
INCREASE IN CASH FLOW	70,267
Cash - beginning of year	<u>-</u>
CASH - END OF YEAR	<u>\$ 70,267</u>

NOLAN HILL RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

1. REGISTRATION AND OPERATIONS

Nolan Hill Residents Association (the Association) was registered on April 2, 2008 in accordance with the provisions of the Societies Act of Alberta. The purpose of the Association is to manage, maintain and provide services for the common areas to benefit the residents of Nolan Hill Community of Calgary, Alberta. The Association commenced operations in January 2019 after the development was completed and the oversight was handed over by the developer.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations (ASNFPPO).

These financial statements include only those assets, liabilities and expenses relating to the operations of the Association. These statements do not include the cost of land, buildings, improvements and the outstanding principal balances owing on mortgages and property taxes which are the responsibility of the homeowners.

The Association is a tax-exempt organization for income tax purposes under Section 149 of the Income Tax Act and has therefore made no provisions for income taxes on these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

The Association discloses bank balances, overdrafts that are part of a revolving facility, term certificates of less than ninety days, and restricted cash held in the reserve fund as cash and cash equivalents.

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NOLAN HILL RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

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

Fund accounting and revenue recognition

The Association follows the restricted method of accounting for fees and contributions. The Association uses two funds, the Restricted reserve fund and the Operating fund.

Restricted reserve fund

The Reserve fund consists of investment income, special fee assessments to the owners and allocation from the operating fund based on annual budget decisions. This fund is required to finance major repairs, replacements and related expenditures and is reduced by capital expenditures incurred.

Operating fund

This fund includes the Association's annual fees and operating expenses related to the common areas including minor repairs and maintenance. Any operating surplus is available to be used for future deficits or expenses not anticipated in the annual budget. If there are any operating deficits, these amounts are assessed to the homeowners to compensate for the deficit.

Revenue Recognition

The Association recognizes fee assessments related to general operations as revenue of the operating fund as assessed to the owners. The assessment for the fees consists of estimates of monthly charges based on approved budgets by the board. All expenses are recognized as they are incurred.

The special assessment fees related to the Reserve fund are recognized as revenue of the Reserve fund.

Investment income earned on the Reserve fund Investments is recognized as revenue of the Reserve fund.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date, when there are indicators of impairment. The amount of any write-down is recognized in the operating fund. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the operating fund. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

The Association's financial instruments consist of cash, investments, accounts receivable, prepaid expenses, GST payable, deposits received and accounts payable. The Association's Board of Directors has responsibility for the establishment and approval of the Association's risk management policies. The Association does not enter into financial instrument agreements for speculative purposes. The fair value of cash, accounts receivable, and accounts payable approximate their carrying values due to their short-term nature.

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NOLAN HILL RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

As necessary, when preparing financial statements according to ASNFPO, management makes estimates and assumptions relating to:

1. reported amounts of revenues and expenses,
2. reported amounts of assets and liabilities, and
3. disclosure of contingent assets and liabilities

Estimates are based on a number of factors including historical experience, current events and actions that the 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. Estimates are used in accounting for certain items such as revenues, and allowance for doubtful accounts.

Contributed services

Volunteers contribute many hours each year to assist the Association in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Budget

The budget amounts that appear on the Revenues and Expenditures are those approved by the Board of Directors on annual basis. They are presented for comparison purposes only. They have not been audited. They have been shown to conform to the presentation in these financial statements.

NOLAN HILL RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

4. FINANCIAL INSTRUMENTS

The 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 Association's risk exposure and concentration as of December 31, 2019.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from homeowners. Accounts receivable are mainly due from the homeowners. This credit risk is low due to legal relationship of the homeowners to the Association.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations of cash requirements associated with financial liabilities as they become due or be able to liquidate its assets in a timely manner at reasonable prices.

Liquidity risk is managed by the preparation of annual budgets, raising enough fees to pay its annual expenses and to make the required reserve fund contributions on a timely basis, using daily interest bank accounts, earning a return while maintaining liquidity.

(c) 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.

(d) 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 Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its Reserve fund investments.

Unless otherwise indicated, it is management's opinion that the Association is not exposed to significant credit, liquidity, market or interest rate risk arising from financial instruments.

5. ACCOUNTS RECEIVABLE

Accounts receivable includes Association fees and late fees collectable from homeowners. In management's opinion Accounts receivable are high due to first year in operations.

6. MAJOR COMMITMENTS

The Association has engaged a management agent to manage the association's administration for a budgeted fee of \$36,990. In addition, the Association has entered into a landscaping contract. The landscaping contract billing is expected \$45,000 plus GST.

7. RESERVE FUND STUDY AND ADEQUACY OF THE RESERVE FUND

No reserve fund study is conducted in 2019. In management's opinion, the reserve fund is adequate for capital projects.
