

Nolan Hill Residents Association

Auditor's Report and Financial Statements

December 31, 2020

Independent Auditor's Report

To: Nolan Hill Residents Association

My Opinion

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Nolan Hill Residents Association (the Association)** as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

I have audited

The Association's financial statements comprise:

- the statement of financial position as at **December 31, 2020**;
- the statement of operations and change in operating fund for the year then ended;
- the statement of capital replacement reserve fund operations and change in capital replacement reserve fund for the year then ended;
- the statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

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 believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence

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.

Other Matter

The financial statements for the year ended December 31, 2019 were audited by another Chartered Professional Accountant who expressed an unmodified opinion on those statements on March 25, 2020.

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

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 judgement 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 Association'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 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
April 15, 2021

Shahid Naqi Professional Corporation

Shahid Naqi Professional Corporation
Chartered Professional Accountant

Nolan Hill Residents Association

Statement of Financial Position

December 31, 2020

			2020	2019
	Operating Fund	Reserve Fund	Total	Total
<u>Current assets</u>				
Cash	\$120,216	\$50,030	\$170,246	\$70,267
Association fees receivable	124,267	-	124,267	102,120
Prepaid insurance	272	-	272	254
	\$244,755	\$50,030	\$294,785	\$172,641
<u>Current liabilities</u>				
Accounts payable and accrued liabilities	\$2,107	\$ -	\$2,107	\$2,702
Goods and Services Tax payable	12,009	-	12,009	6,469
	14,116	-	14,116	9,171
<u>Net assets</u>				
Capital replacement reserve fund	-	50,030	50,030	15,080
Operating fund	230,639	-	230,639	148,390
	230,639	50,030	280,669	163,470
	\$244,755	\$50,030	\$294,785	\$172,641

Approved by the Board:


_____, Director


_____, Director

Nolan Hill Residents Association**Statement of Operations and Change in Operating Fund**

Year ended December 31, 2020

	2020	Budget	2019
		(Unaudited)	
Revenue			
Association fees	\$231,683	\$232,525	\$229,050
Interest and other	11,614	-	25,413
	243,297	232,525	254,463
Expenses			
Administration			
Management fees	36,990	36,990	36,465
Office	18,618	24,250	12,832
Insurance	2,816	3,600	2,796
Professional fees	2,593	2,600	2,547
Operating			
Electricity and water	1,858	3,500	1,888
Landscaping	54,776	65,000	49,185
Repairs and maintenance	8,553	1,000	360
	126,204	136,940	106,073
Excess of revenue over expenses	117,093	95,585	148,390
Operating fund, start of year	148,390	-	-
Transfer to capital replacement reserve fund	(34,844)	(95,585)	-
Operating fund, end of year	\$230,639	\$ -	\$148,390

Nolan Hill Residents Association

Statement of Capital Replacement Reserve Fund Operations and Change in Capital Replacement Reserve Fund

Year ended December 31, 2020

	<u>2020</u>	<u>2019</u>
Revenue		
Interest	\$106	\$80
Contribution from Developer	-	15,000
	<u>106</u>	<u>15,080</u>
Expense		
	-	-
	<u>-</u>	<u>-</u>
Excess of revenue over expense	106	15,080
Capital replacement reserve fund, start of year	15,080	-
Transfer from operating fund	34,844	-
Capital replacement reserve fund, end of year	<u>\$50,030</u>	<u>\$15,080</u>

Nolan Hill Residents Association

Statement of Cash Flows

Year ended December 31, 2020

	<u>2020</u>	<u>2019</u>
Operating activities		
Association fees	\$209,536	\$126,930
Interest and other	11,720	25,493
Contribution from Developer	-	15,000
Operating expenses	<u>(121,277)</u>	<u>(97,156)</u>
Increase in cash	99,979	70,267
Cash, start of year	70,267	-
Cash, end of year	<u>\$170,246</u>	<u>\$70,267</u>

Nolan Hill Residents Association

Notes to Financial Statements

December 31, 2020

1. Organization:

Nolan Hill Residents Association (the Association) was incorporated under the Companies Act of Alberta as a not-for-profit organization whose membership comprises two thousand four hundred and sixty-six lot owners. The purpose of the Association is to collect association fees so as to perform activities on behalf of the lot owners and to service and maintain lands.

The Association is required to file an income tax return, however, as a not-for-profit organization, it is not taxed and no provision for income taxes has been made in these financial statements.

2. Significant accounting policies:

The Association has an elected Board of Directors who had these financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations within reasonable limits of materiality using the accounting policies summarized below.

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 amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses disclosed during reporting periods. Actual amounts may differ from these estimates.

i. Fund accounting:

Two separate funds are maintained:

Operating Fund:

Association fees and operating expenses are recorded in the general operating fund. An annual transfer is made to the capital replacement reserve fund.

Capital Replacement Reserve Fund:

Major repairs to and replacements of common property that are expected to arise at intervals of longer than one year are recorded in this fund together with investment income. The balance of this fund is restricted and may only be used for major repairs and replacements.

ii. Cash:

Cash comprises daily interest bank accounts.

iii. Contributed services:

Volunteers carry out many activities for the Association. Due to the difficulty of determining their fair values, contributed services are not recognized in these financial statements.

Nolan Hill Residents Association

Notes to Financial Statements

December 31, 2020

2. Significant accounting policies (continued):

iv. Revenue recognition:

Association fees are due on the first day of each year and are recorded as income on that day. Interest income is accrued daily.

v. Financial instruments:

The Association initially measures its financial assets and financial liabilities at fair value. The Association subsequently measures cash, accounts receivable, accounts payable and accrued liabilities at amortized cost.

3. Adequacy of the Capital Replacement Reserve Fund:

These financial statements do not attempt to show the adequacy of the Capital Replacement Reserve Fund. Determining the annual allocation to the fund and the adequacy of the fund balance requires 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 fund's investments.

Significant estimates and assumptions are involved and actual results may differ.

The actual reserve fund balance on December 31, 2020 was \$50,030 and the budgeted 2021 contribution is \$110,512.

4. Financial instrument risk management:

The Association is exposed to various risks through its financial instruments and manages these risks with the objective of reducing volatility in its cash flows.

The principal risks are:

Cash	Credit risk and interest rate risk
Accounts receivable	Credit risk
Accounts payable	Liquidity risk

Nolan Hill Residents Association

Notes to Financial Statements

December 31, 2020

4. **Financial instrument risk management** (continued):

Credit risk and interest rate risk:

The exposure to credit risk arises from the possibility that counter parties may default on their financial obligations.

Of the Association's total cash of \$170,246 on December 31, 2020, \$100,000 was insured by the Canada Deposit Insurance Corporation and the average rate of interest was 0.20%.

There is minimal credit risk exposure on association fees receivable since they are a charge against the individual lot owner.

Liquidity risk:

Liquidity risk is the risk that the Association will not be able to meet its cash requirements as they come 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 fees sufficient to pay its annual expenses and to make the required reserve fund contribution on a timely basis and, through the use of daily interest bank accounts, earning a return while maintaining liquidity.

5. **Capital disclosures:**

The Association defines capital as the sum of the capital replacement fund and its operating fund.

The Association maintains a reserve fund balance sufficient to pay for major repairs and replacements as they arise. The balance of the operating fund is maintained at levels sufficient to withstand unexpected financial events in order to maintain stability.

6. **Commitment:**

The Association has contracted for landscaping services, until October 2023, at \$35,100 per season.