THE GRANGE HOMEOWNERS ASSOCIATION
Financial Statements
Year Ended December 31, 2011

THE GRANGE HOMEOWNERS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
THE GRANGE HOMEOWNERS ASSOCIATION

I have audited the accompanying financial statements of The Grange Homeowners Association, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Grange Homeowners Association as at December 31, 2011, 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.

The financial statements for the year ended December 31, 2010 were audited by another accounting firm and are presented for comparative purposes only.

Chartered Accountant
Edmonton, Alberta
May 30, 2012

THE GRANGE HOMEOWNERS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash	$ 13,229	$ 6,028
Accounts receivable	88,408	113,688
	$ 101,637	$ 119,716
LIABILITIES		
CURRENT LIABILITIES		
Trade accounts payable and accrued liabilities	12,610	13,263
	12,610	13,263
NET ASSETS		
Net assets internally restricted for emergency purposes	6,028	6,028
Unrestricted net assets	82,999	100,425
	89,027	106,453
	$ 101,637	$ 119,716

ON BEHALF OF THE BOARD OF DIRECTORS

________________________, Director

________________________, Director

THE GRANGE HOMEOWNERS ASSOCIATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
REVENUES		
Homeowner fees	$ 26,694	$ 28,692
Interest	—	5
	26,694	28,697
EXPENSES		
Bad debts	26,535	—
Administration	10,828	3,801
Professional fees	5,632	12,537
Office	714	341
Rental	295	—
Interest and bank charges	116	127
	44,120	16,806
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ (17,426)	$ 11,891

THE GRANGE HOMEOWNERS ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

			2011	2010
	Restricted for emergency purposes	**Unrestricted**	**Total**	**Total**
BALANCE, BEGINNING OF YEAR	$ 6,028	100,425	$106,453	$94,562
Excess (deficiency) of revenues over expenses		(17,426)	(17,426)	11,891
BALANCE, END OF YEAR	$ 6,028	$ 82,999	$ 89,027	$106,453

THE GRANGE HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
CASH FLOWS FROM OPERATIONS		
Excess (deficiency) of revenues over expenses	$ (17,426)	$ 11,891
Net change in non-cash working capital	24,627	(26,603)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,201	(14,712)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,028	20,740
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,229	$ 6,028
Cash and cash equivalents, end of year		
Cash	$ 13,229	$ 6,028

1. STATUS AND PURPOSE OF THE ORGANIZATION

The Grange Homeowners Association (the "Association") was incorporated on March 5, 2004 under the Societies Act of Alberta and is not subject to income tax under Paragraph 149(1)(l) of the Canadian Income Tax Act. The Association was formed to provide the opportunity to enhance and augment the level of maintenance within the Grange community. An encumbrance has been registered against each land title (by the property developer) ensuring that all property owners are obligated to the association and allows for the collection of fees from the lots registered under the encumbrance. An elected Board of Directors from the association will determine the maintenance program and associated fees, if any, to be implemented.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CICA Handbook* and include the following significant accounting policies:

(a) Revenue recognition

The association follows the deferred method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable and the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from homeowner fees is recognized as revenue in the period to which the fee relates. Homeowner fees received in advance are recorded as deferred revenue.

Investment income is recognized as revenue when earned.

(b) Contributed services

Volunteers contribute significant amounts of time each year to assist the association in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(c) Cash and cash equivalents

The association's policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash and cash equivalents.

Cash and cash equivalents are classified as held for trading and include cash on hand and balances with banks.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) 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.

The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(e) 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.

3. INTERNAL RESTRICTIONS

The board of directors of the association allocated $10,000 for emergency purposes and future special projects yet to be determined by the association upon start up of the association. This amount was reduced to $6,028 in prior years to ensure sufficient funding for ongoing operations.

4. DEFERRED CONTRIBUTIONS

Deferred contributions represent homeowner fees received in the current or prior periods which relate to subsequent fiscal years. There are no deferred contributions at this time.

5. FINANCIAL INSTRUMENTS

The association classifies cash and cash equivalents as held-for-trading for financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

The association is exposed to various risks through its financial instruments. The following analysis presents the association's exposures to significant risk at the reporting date, December 31, 2011. Unless otherwise noted, it is management's opinion that the association is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

5. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk

The association is exposed to credit risk with respect to the accounts receivable. The association assesses, on a continuous basis, accounts receivable on the basis of amounts it is virtually certain to receive.

Interest rate risk

The association is exposed to interest rate risk arising for its cash and cash equivalents. The company does not use any derivative investments to reduce exposure to this risk.

6. CAPITAL DISCLOSURES

The association's capital is comprised of its internally restricted and unrestricted net assets.

The association's objectives when managing capital are to safeguard its ability to continue as a going concern with sufficient capital to pay for monthly operating costs as they come due and to fund projects the association has committed itself to. The board of directors has internally restricted $6,028 to be used for unforeseen liabilities and project costs. The board of directors' approval is required to establish or use internally restricted net assets. The association has no externally imposed capital restrictions.

In managing its capital, the association prepares an annual budget of operating costs. This budget is updated as necessary depending upon various factors including new proposed projects and general economic conditions. This budget is approved by the board of directors. The primary focus is the preservation of capital.

If greater funding was required to meet capital management objectives, the association would respond by increasing homeowner fees or finance operations through debt.

The association expects its current capital resources will be sufficient to meet its objective through its current operating period and its capital management objectives have remained unchanged over the periods presented.