

Grange Homeowners Association

FINANCIAL STATEMENTS

DECEMBER 31, 2022

Grange Homeowners Association

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INDEPENDENT AUDITORS' REPORT

To the Owners of The Grange Homeowners Association:

Opinion

We have audited the accompanying financial statements of the The Grange Homeowners Association, which comprise the statement of financial position as at December 31, 2022, and the statements of operations and changes in fund balances 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, 2022, 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.

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.

Cass & Fraser

Cass & Fraser Chartered Professional Accountants

Edmonton, Alberta
October 20, 2023

Grange Homeowners Association

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

	2022	2021
		<i>Restated</i> <i>(note 10)</i>
Current Assets		
Cash	\$ 33,410	\$ 17,324
Accounts receivable <i>(note 5)</i>	34,739	25,797
Prepaid expenses	387	387
Short-term investments <i>(note 6)</i>	20,346	70,150
	<hr/> 88,882	<hr/> 113,658
Capital assets <i>(note 7)</i>	12,496	14,907
	<hr/> \$ 101,378	<hr/> \$ 128,565
Current Liabilities		
Accounts payable	\$ 4,840	\$ 6,340
Prepaid fees	2,096	2,581
GST payable (receivable)	(4,413)	(2,777)
	<hr/> 2,523	<hr/> 6,144
Net Assets		
Operating fund <i>(note 8)</i>	98,855	122,421
	<hr/> \$ 101,378	<hr/> \$ 128,565

Grange Homeowners Association

STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE OPERATING FUND

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022 Budget <i>(note 4)</i>	2022 Actual	2021 Actual <i>Restated (note 10)</i>
Revenues			
Association fees	\$ 71,145	\$ 71,145	\$ 71,145
Credit recovery fees <i>(note 9)</i>	-	11,612	15,815
Late fee and other	6,000	4,220	5,559
Interest and investment income	1,200	1,443	422
	<u>78,345</u>	<u>88,420</u>	<u>92,941</u>
Administration			
Bank charges	500	567	286
Collection expenses	-	3,736	11,009
Miscellaneous	8,500	7,756	7,781
Professional fees	10,500	9,629	15,609
Property search	-	420	540
Telephone	-	550	487
Maintenance			
Fence painting	43,000	33,202	35,861
Landscaping	40,125	48,933	46,462
Repairs and maintenance	-	225	-
Other			
Amortization	-	2,410	2,764
Bad debt expenses (recoveries)	-	3,290	(468)
Insurance	1,300	1,268	1,129
	<u>103,925</u>	<u>111,986</u>	<u>121,460</u>
Revenues over expenses	(25,580)	(23,566)	(28,519)
Operating fund balance at beginning of year		122,421	150,940
Operating fund balance at end of year		\$ 98,855	\$ 122,421

Grange Homeowners Association

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Cash flows from operating activities		
Association fees	\$ 61,718	\$ 74,733
Interest and investment income	1,247	1,558
Other revenues	15,832	21,374
Cash paid to suppliers	(112,710)	(130,974)
Net cash provided by (used in) operating activities	(33,914)	(33,309)
Cash flows from investing activities		
Net redemption (purchase) of GICS	50,000	-
Increase (decrease) in cash	16,086	(33,309)
Cash, beginning of year	17,324	50,633
Cash, end of year	\$ 33,410	\$ 17,324
Cash and cash equivalents are comprised of:		
Cash	\$ 33,410	\$ 17,324

Grange Homeowners Association

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

1 Purpose and Income Tax Status

The Grange Homeowners Association (The "Association") is a home owners' association incorporated on March 5, 2004 under the Societies Act of Alberta. Its function is 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.

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. The Capital Replacement Reserve Fund has not been presented in these financial statements, as it is an internally restricted fund, that may be used at the sole discretion of the Board of Directors.

(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.

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NOTES TO THE FINANCIAL STATEMENTS

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(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. In particular, the value of capital assets, recorded as \$14,907, could change by a material amount in the near term.

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.

(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 may be 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.

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NOTES TO THE FINANCIAL STATEMENTS

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(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 2022 budget amounts are presented for information purposes only. They were approved by the Board of Directors and are unaudited.

5 Accounts Receivable

An allowance for doubtful accounts has been set up to account to the uncertainty of outstanding accounts receivables.

	2022	2021
Accounts receivable (gross)	\$ 42,668	\$ 30,436
Less: Allowance for doubtful accounts	(7,929)	(4,639)
	<u>\$ 34,739</u>	<u>\$ 25,797</u>

6 Short-term Investments

Investment consists of one guaranteed investment certificate held by Servus Credit Union with the principal of \$20,000 and interest rate of 2.60% and maturity date of May 2, 2023.

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7 Capital Assets

Banners and laptop have been depreciated using the straight-line method over a five-year useful life. In 2020, planters were purchased and new signs were installed. Depreciation has been made using the straight-line method over a ten-year useful life with half-year rule applied.

			2022	2021
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Banners	\$ 3,532	\$ 3,532	\$ -	\$ 353
Laptop	2,444	1,711	733	1,222
Planters	4,869	1,217	3,652	4,138
Sign	10,815	2,704	8,111	9,192
	\$ 21,660	\$ 9,164	\$ 12,496	\$ 14,905

8 Net Assets Internally Restricted

The Association has internally restricted \$10,000 (2021 - \$10,000) for emergency purposes.

9 Credit Recovery Fees

Credit recovery fees are fees that charged to owners whose receivables have been transferred to a collection agency.

10 Comparative Figures

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

In the prior year financial statements, the accounts payable was understated. The adjustment of this increased the prior year accounts payable by \$1,418 and decreased the ending balance of the operating fund net assets by the same amount.

11 Approval of Financial Statements

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