

EVERGREEN RESIDENTS ASSOCIATION LTD.
Financial Statements
Year Ended August 31, 2018

EVERGREEN RESIDENTS ASSOCIATION LTD.

Index to Financial Statements

Year Ended August 31, 2018

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9
Expenses (<i>Schedule 1</i>)	10

CREMERS & ELLIOTT

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Owners of Evergreen Residents Association Ltd.

We have audited the accompanying financial statements of Evergreen Residents Association Ltd., which comprise the statements of financial position as at August 31, 2018 and August 31, 2017 and the statements of revenues and expenditures and changes in net assets and cash flows for the years ended August 31, 2018 and August 31, 2017, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

(continues)

Independent Auditor's Report to the Owners of Evergreen Residents Association Ltd. *(continued)*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Evergreen Residents Association Ltd. as at August 31, 2018 and August 31, 2017 and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta
November 6, 2018


Cremers & Co. Chartered Accountants LLP

EVERGREEN RESIDENTS ASSOCIATION LTD.

Statement of Financial Position

August 31, 2018

	Capital Replacement Reserve Fund	Operating Fund	Total	Total
	2018	2018	2018	2017
ASSETS				
CURRENT				
Cash	\$ -	\$ 249,266	\$ 249,266	\$ 234,089
Accounts receivable	-	9,985	9,985	6,976
Goods and services tax recoverable	-	5,336	5,336	4,879
Prepaid expenses	-	849	849	806
	-	265,436	265,436	246,750
INVESTMENTS (Note 3)	198,294	-	198,294	156,227
	\$ 198,294	\$ 265,436	\$ 463,730	\$ 402,977
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable	\$ -	\$ 180,402	\$ 180,402	\$ 141,383
NET ASSETS (Note 2)	198,294	85,035	283,329	261,594
LIABILITIES AND NET ASSETS	\$ 198,294	\$ 265,437	\$ 463,731	\$ 402,977

ON BEHALF OF THE BOARD

Brent Schille Director

Daniel Cygan Director

EVERGREEN RESIDENTS ASSOCIATION LTD.
Statement of Revenues and Expenditures and Changes in Net Assets
Year Ended August 31, 2018

	Budget	Capital Replacement Reserve Fund	Operating Fund	Total	Total
	2018	2018	2018	2018	2017
REVENUES					
Association fees	\$ 302,600	\$ -	\$ 302,600	\$ 302,600	\$ 302,405
Foreclosure recoveries	-	-	9,134	9,134	2,034
Insurance revenue	-	-	-	-	16,706
Interest	4,000	2,067	4,855	6,922	4,559
Miscellaneous income	-	-	967	967	105
Reserve contributions	(40,000)	40,000	(40,000)	-	-
	266,600	42,067	277,556	319,623	325,809
EXPENSES (Schedule 1)	266,600	-	297,888	297,888	281,353
NET EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	-	42,067	(20,332)	21,735	44,456
NET ASSETS - BEGINNING OF YEAR	-	156,227	105,367	261,594	217,138
NET ASSETS - END OF YEAR	\$ -	\$ 198,294	\$ 85,035	\$ 283,329	\$ 261,594

EVERGREEN RESIDENTS ASSOCIATION LTD.

Statement of Cash Flows

Year Ended August 31, 2018

	2018	2017
FUND ACTIVITIES		
Excess of revenue over expenses	\$ 21,735	\$ 44,456
Changes in non-cash working capital:		
Accounts receivable	(3,009)	2,602
Accounts payable	39,019	(30,646)
Prepaid expenses	(43)	32
Goods and services tax payable	(457)	(731)
	<u>35,510</u>	<u>(28,743)</u>
INCREASE IN CASH FLOW	57,245	15,713
Cash - beginning of year	<u>390,316</u>	<u>374,603</u>
CASH - END OF YEAR	<u>447,561</u>	<u>390,316</u>
CASH CONSISTS OF:		
Cash	\$ 249,266	\$ 234,089
Reserve fund investments	<u>198,294</u>	<u>156,227</u>
	<u>\$ 447,560</u>	<u>\$ 390,316</u>

EVERGREEN RESIDENTS ASSOCIATION LTD.

Notes to Financial Statements

Year Ended August 31, 2018

1. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Residents Association is a non-profit organization and the common area assets of the Residents Association are owned proportionately by the owners of the units and as such are not reflected as assets in these financial statements. The purpose of the Residents Association is to manage the common area assets and to maintain and provide services with respect to the day to day operations of the Residents Association.

The financial statements include only assets, liabilities, revenues and expenses relating to the operations of Residents Association. The statements do not include the cost of land or buildings and the outstanding principal balances owing on mortgages, which are the responsibility of the owners.

The Residents Association is a tax exempt organization for income tax purposes and has therefore made no provisions for income taxes on these financial statements.

Measurement uncertainty

When preparing financial statements according to Canadian accounting standards for not-for-profit organizations, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the Residents 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. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts and useful lives of capital assets.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed certificates and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than five years.

(continues)

EVERGREEN RESIDENTS ASSOCIATION LTD.

Notes to Financial Statements

Year Ended August 31, 2018

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

Fund Accounting

The Residents Association follows the restricted method of accounting for contributions.

The operating fund accounts for the Residents Association's operating and administrative activities.

The capital replacement reserve fund reports the fee assessments from unit owners that are to be set aside and used for future costs or major repairs or replacements.

Revenue Recognition

The Residents Association recognizes association fee assessments related to general operations as revenue of the operating fund as billed to the owners. Billings for the Residents Association fees consist of annual encumbrance. All expenses are recognized as they are incurred.

The Residents Association fees related to the Capital Replacement Reserve Fund are recognized as revenue of the Capital Replacement Reserve Fund.

Investment income earned on the Reserve Fund Investments are recognized as revenue of the Capital Replacement Reserve Fund.

Contributed Services

Volunteer services contributed on behalf of the Residents Association in carrying out its operating activities are not recognized in these financial statements due to the difficulty of determining their fair value.

Financial Instruments

The Residents Association's financial instruments consist of cash, investment certificates, accounts receivable, prepaid expenses, and accounts payable. Unless otherwise indicated, it is management's opinion that the Residents Association is not exposed to significant interest or credit risk arising from these financial instruments. Accounts receivable and accounts payable are initially measured at fair value and subsequently measured at amortized cost. Gains and losses are recognized in the statement of operations. The fair value of cash, accounts receivable, and accounts payable approximate their carrying values due to their short term nature.

Reserve Fund Investments

The Residents Association has elected to classify Guaranteed Investment Certificates held in the reserve fund as held for trading. As such, the investments are measured at fair value and any gains and losses are recognized in the statement of operations or allocated to the restricted fund as required.

(continues)

EVERGREEN RESIDENTS ASSOCIATION LTD.

Notes to Financial Statements

Year Ended August 31, 2018

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

Capital Replacement Reserve Fund

The Capital Replacement Reserve Fund is a fund required under the By-laws of the Residents Association to be established and maintained for the repair or replacement of any real and personal property owned by the Residents Association and the common property where such repair or replacement does not occur annually. When expenditures of a capital nature or for a major repair are incurred, they are charged against the reserve. The amount to be allocated to the Reserve Fund from operations is determined by the Board of Directors of the Residents Association.

Budget

The budget figures that appear on the statement of operating income are those approved by the Board of Directors and are presented for comparison purposes only. They have not been audited or reviewed but they have been reclassified to conform to the presentation in these financial statements.

3. INVESTMENTS HELD FOR THE CAPITAL REPLACEMENT RESERVE FUND ASSETS, AT FAIR VALUE

	<u>2018</u>
Servus reserve cash account	\$ 7,227
Servus Credit Union reserve equity	1,680
Manulife securities	28,590
GIC 2.33% maturing June 27,2019	30,124
GIC @ 2.67% maturing June 29,2020	30,143
GIC @ 2.83% maturing Juen 28,2021	30,151
GIC 2.96% maturing June 27,2022	30,158
GIC @3.11% maturing June 27,2023	<u>40,222</u>
	<u>\$ 198,295</u>

4. FINANCIAL INSTRUMENTS

The Residents 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 Residents Association's risk exposure and concentration as of August 31, 2018.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Residents Association is exposed to this risk mainly in respect of its accounts payable.

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. The Residents Association is mainly exposed to interest rate risk.

(continues)

EVERGREEN RESIDENTS ASSOCIATION LTD.

Notes to Financial Statements

Year Ended August 31, 2018

4. FINANCIAL INSTRUMENTS *(continued)*

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 Residents Association manages exposure through its normal operating and financing activities. The Residents Association is exposed to interest rate risk primarily through its reserve fund investments.

5. COMPARATIVE FIGURES

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

EVERGREEN RESIDENTS ASSOCIATION LTD.

Expenses

(Schedule 1)

Year Ended August 31, 2018

	Budget	Capital Replacement Reserve Fund	Operating Fund	Total	Total
	2018	2018	2018	2018	2017
OPERATING EXPENSES					
Landscape and snow removal	\$ 134,382	\$ -	\$ 156,345	\$ 156,345	\$ 143,558
Management fees	72,624	-	72,624	72,624	72,582
Repairs and maintenance	16,300	-	13,218	13,218	19,419
Office	12,500	-	12,867	12,867	12,293
Audit and legal fees	1,809	-	10,979	10,979	4,732
Utilities	8,500	-	9,715	9,715	8,786
Seasonal lights	8,000	-	8,130	8,130	7,920
Bank charges	6,000	-	7,299	7,299	5,748
Rent	3,785	-	4,064	4,064	3,735
Insurance	2,600	-	2,647	2,647	2,580
Bad debts	100	-	-	-	-
	\$ 266,600	\$ -	\$ 297,888	\$ 297,888	\$ 281,353