

**1135215 Alberta Society**

**o/a**

**Rocky Ridge Ranch Homeowners Association**

**Financial Statements**

**December 31, 2019**

**1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association**  
**December 31, 2019**

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## **Independent Auditors' Report**

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To the Members of  
1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association

### **Opinion**

We have audited the financial statements of 1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association, which comprise the statement of financial position as at December 31, 2019 and the statements of operations, 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 our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association as at December 31, 2019, 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.

### **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 Auditors' 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 ethical 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.

### **Other Matter**

The financial statements of 1135215 Alberta Society operating as Rocky Ridge Ranch Homeowners Association for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 14, 2020.

### **Responsibilities of Management and Those Charged with Governance 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.

In preparing these financial statements, management is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to a 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 to do so.

Those charged with governance are responsible for overseeing the association's financial reporting process.

## **Independent Auditors' Report (Continued)**

### **Auditors' 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 auditors' 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.



**Independent Auditors' Report (Continued)**

We 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 we identify during our audit.

*Chow Connolly LLP*

Chartered Professional Accountants

Calgary, Canada  
October 14, 2020

# 1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association

## Statement of Financial Position

December 31, 2019

	Note	2019	2018
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 11,480	\$ 49,889
Cash and cash equivalents, internally restricted		4,874	104,823
Short-term investments	3.	1,596	1,596
Short-term investments, internally restricted	3.	506,250	350,000
Accounts receivable		7,598	8,626
Goods and Services Tax receivable		1,763	2,617
Prepaid expenses		9,711	10,880
<b>Total Current Assets</b>		<b>543,272</b>	<b>528,431</b>
Investments	3.	25,678	25,000
Property and equipment	4.	433,026	481,621
<b>Total Assets</b>		<b>\$ 1,001,976</b>	<b>\$ 1,035,052</b>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	5.	\$ 32,166	\$ 46,378
Damage deposits payable		7,500	11,000
Deferred revenue		-	1,200
<b>Total Current Liabilities</b>		<b>39,666</b>	<b>58,578</b>
Deferred capital contributions	6.	1,718	2,147
<b>Total Liabilities</b>		<b>41,384</b>	<b>60,725</b>
<b>Net Assets</b>			
Unrestricted		89,284	119,854
Invested in property and equipment		431,308	479,473
Capital reserve		440,000	375,000
<b>Total Net Assets</b>		<b>960,592</b>	<b>974,327</b>
<b>Total Liabilities and Net Assets</b>		<b>\$ 1,001,976</b>	<b>\$ 1,035,052</b>

### Subsequent Event (Note 10)

#### Approved on Behalf of the Board:

"Signed" Garrett Wohlberg, Director

"Signed" Val Ostopowich, Director

The accompanying notes are an integral part of these financial statements.

# 1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association

## Statement of Operations

For the Year Ended December 31, 2019

	2019	2018
<b>Revenue</b>		
Membership fees	\$ 554,616	\$ 554,958
Rental	73,231	71,252
Maintenance contract	55,670	59,579
Program	26,458	29,904
Interest income	21,011	20,069
Grant	10,565	10,344
Amortization of deferred capital contributions	429	537
<b>Total Revenue</b>	<b>741,980</b>	<b>746,643</b>
<b>Expenses</b>		
Advertising and promotion	1,118	1,829
Amortization	95,966	82,814
Bad debt expense	-	39,247
Insurance	11,969	10,356
Interest and bank charges	23,957	23,374
Landscaping	27,669	27,497
Office expenses	30,215	29,977
Professional fees	14,260	25,410
Program	18,475	17,510
Repairs and maintenance	52,086	48,682
Salaries and wages	387,590	346,319
Security	10,439	9,775
Social events	4,396	5,910
Utilities	49,035	44,401
Vehicle	28,540	26,455
<b>Total Expenses</b>	<b>755,715</b>	<b>739,556</b>
<b>(Deficiency) Excess of Revenue Over Expenses</b>	<b>\$ (13,735)</b>	<b>\$ 7,087</b>

The accompanying notes are an integral part of these financial statements.

# 1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association

## Statement of Changes in Net Assets

For the Year Ended December 31, 2019

	Unrestricted	Invested in Property and Equipment	Capital Reserve	2019	2018
<b>Balance, Beginning of Year</b>	\$ 119,854	\$ 479,473	\$ 375,000	\$ 974,327	\$ 967,240
(Deficiency) excess of revenues over expenses	81,802	(95,537)	-	(13,735)	7,087
Net additions to property and equipment	(47,372)	47,372	-	-	-
Net transfers	(65,000)	-	65,000	-	-
<b>Balance, End of Year</b>	\$ 89,284	\$ 431,308	\$ 440,000	\$ 960,592	\$ 974,327

The accompanying notes are an integral part of these financial statements.

# 1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association

## Statement of Cash Flows

For the Year Ended December 31, 2019

	2019	2018
<b>Operating Activities:</b>		
(Deficiency) Excess of Revenue over Expenses	\$ (13,735)	\$ 7,087
Items not affecting cash:		
Amortization	95,966	82,814
Amortization of deferred capital contributions	(429)	(537)
	81,802	89,364
Changes in non-cash working capital:		
Accounts receivable	1,028	38,786
Goods and Services Tax receivable	854	(1,514)
Prepaid expenses	1,169	(7,201)
Accounts payable and accrued liabilities	(14,212)	6,902
Damage deposits payable	(3,500)	3,461
Deferred revenue	(1,200)	224
<b>Total Cash Flows From Operating Activities</b>	<b>65,941</b>	<b>130,022</b>
<b>Investing Activities:</b>		
Purchase of property and equipment	(47,371)	(144,004)
Purchase of GICs, net of redemptions	(156,928)	100,000
<b>Total Cash Flows Used in Investing Activities</b>	<b>(204,299)</b>	<b>(44,004)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(138,358)</b>	<b>86,018</b>
Cash and cash equivalents, beginning of year	154,712	68,694
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 16,354</b>	<b>\$ 154,712</b>

Cash and cash equivalents consist of the following:

Cash	\$ 11,480	\$ 49,889
Cash equivalents, internally restricted	4,874	104,823
<b>Total Cash and Cash Equivalents</b>	<b>\$ 16,354</b>	<b>\$ 154,712</b>

The accompanying notes are an integral part of these financial statements.

# 1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association

## Notes to the Financial Statements

For the Year Ended December 31, 2019

### 1. Nature of Operations

1135215 Alberta Society operating as Rocky Ridge Ranch Homeowners Association (the "Association") was incorporated under the Societies Act of Alberta on October 27, 2004 as a not-for-profit organization which operates amenities exclusively for the use of its members. The Association is exempt from income tax under section 149(1) of the Canadian Income Tax Act.

In 2004, Marquis Development Inc. turned the ownership of the Rocky Ridge Ranch Centre and surrounding lands and amenities over to the Association for nominal consideration of \$1.

### 2. Significant Accounting Policies

#### a. Basis of Preparation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### b. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less.

#### c. Short-Term Investments

Short-term investments are highly liquid and readily convertible to known amounts of cash, such as guaranteed investment certificates ("GIC") and are subject to insignificant risk of changing value.

#### d. Property and Equipment

Property and equipment is recorded at cost less accumulated amortization. Amortization is calculated using the declining balance method following rates at the following rates:

Automotive	30%
Computer equipment	45% - 55%
Computer software	100%
Facility equipment	15% - 30%
Furniture and fixtures	20%
Recreational facilities	4% - 20%
Trees	5%

During the year, the Association adopted the new accounting standard Handbook Section 4433, Tangible Capital Assets Held by Not-for-Profit Organizations. This standard is applied on a prospective basis. As a result of the implementation of this new standard, the Association has updated their policy as it relates to the impairment of property and equipment.

# 1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association

## Notes to the Financial Statements

For the Year Ended December 31, 2019

### 2. Significant Accounting Policies (Continued)

#### d. Property and Equipment (Continued)

The Association performs impairment testing on property and equipment whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets, may not be recoverable. Any impairment loss is measured as the amount by which the carrying value exceeds the fair value or replacement cost and is recorded as an expense in the statement of operations. A write-down shall not be reversed.

#### e. Revenue Recognition

Membership fees are recognized as revenue over the term of the annual memberships.

Rental and program revenues are recognized when services are provided.

Unrestricted interest income is recognized as revenue when earned.

The Association follows the deferral method of accounting for externally restricted assets where revenue is recorded when the related expense occurs.

Contributions received for property and equipment are recognized as revenue in proportion to the annual amortization of the related property and equipment for which the contribution was made.

Unrestricted contributions are recognized as revenue when received or receivable or if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### f. Contributed Goods and Services

Contributed goods and services are recorded at fair market value only when fair market value can be reasonably estimated and the donated goods and services would otherwise have been purchased by the Association. Volunteers contribute their time to the Association in carrying out its operating activities. Because of the difficulty of determining the fair value, contributed volunteer services are not recognized in these financial statements.

# 1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association

## Notes to the Financial Statements

For the Year Ended December 31, 2019

### 2. Significant Accounting Policies (Continued)

#### g. Financial Instruments

The Association initially measures the financial assets and liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, short-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

At the end of each reporting period, the Association assesses whether there are any indicators that financial assets measured at cost or amortized cost may be impaired. When there is any such indication of impairment, the Association determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from that financial asset. The carrying amounts of the assets are reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in the statement of operations.

#### h. Measurement Uncertainty

The preparation of financial statements in accordance 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 and 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. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known.

Accounts receivable are stated after evaluation as to their collectability and an allowance for doubtful accounts is provided for where necessary.

The valuation of property and equipment is based on management's best estimates of the future recoverability of these assets and the determination of costs subject to classification as property and equipment. Amortization is based on the estimated remaining useful lives and period of future benefit of the property and equipment.

Actual results could differ from those estimates and may have impact on future periods.

# 1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association

## Notes to the Financial Statements

For the Year Ended December 31, 2019

### 3. Investments

Short-term investments, internally restricted, consists of the following:

	2019	2018
Redeemable GICs, bearing interest at 1.80% per annum, maturing February or March 2020	\$ 250,000	\$ -
Non-redeemable GIC, bearing interest at 2.71% per annum, maturing October 2020	25,678	-
Non-redeemable GIC, bearing interest at 1.95% per annum, maturing December 2020	256,250	-
Non-redeemable GIC, bearing interest at 0.55% per annum, maturing December 2019	-	250,000
Non-redeemable GIC, bearing interest at 1.80% per annum, maturing December 2019	-	100,000
<b>Total Short-Term Investments, Internally Restricted</b>	<b>\$ 506,250</b>	<b>\$ 350,000</b>

Short-term and non-current investments consists of the following:

	2019	2018
Non-redeemable GIC, bearing interest at 2.71% per annum, maturing October 2020, held as collateral as security for the Association's credit cards	\$ 25,678	\$ 25,000
Other	1,596	1,596
	27,274	26,596
Less long-term investment	(25,678)	(25,000)
<b>Total Short-Term Investments</b>	<b>\$ 1,596</b>	<b>\$ 1,596</b>

# 1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association

## Notes to the Financial Statements

For the Year Ended December 31, 2019

### 4. Property and Equipment

Property and equipment consists of the following:

			2019	2018
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Automotive	\$ 47,424	\$ (40,558)	\$ 6,866	\$ 3,563
Computer equipment	29,759	(27,352)	2,407	2,211
Computer software	22,984	(21,605)	1,379	-
Facility equipment	278,891	(215,906)	62,985	64,726
Furniture and fixtures	42,305	(34,387)	7,918	6,740
Recreational facilities	891,303	(560,688)	330,615	382,427
Trees	35,126	(14,270)	20,856	21,954
<b>Total</b>	<b>\$ 1,347,792</b>	<b>\$ (914,766)</b>	<b>\$ 433,026</b>	<b>\$ 481,621</b>

### 5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of the following:

	2019	2018
Trade accounts payable	\$ 13,941	\$ 18,835
Credit card payable	4,140	4,493
Wages payable	2,300	11,526
Other accrued liabilities	11,785	11,524
<b>Total</b>	<b>\$ 32,166</b>	<b>\$ 46,378</b>

### 6. Deferred Capital Contributions

Deferred capital contributions relate to funding received for property and equipment purchases.

	2019	2018
Deferred capital contributions, beginning of year	\$ 2,147	\$ 2,684
Amounts recognized as revenue during the year	(429)	(537)
<b>Deferred Capital Contributions, End of Year</b>	<b>\$ 1,718</b>	<b>\$ 2,147</b>

# 1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association

## Notes to the Financial Statements

For the Year Ended December 31, 2019

### 7. Financial Instruments

The Association is exposed to various risks through its financial instruments and has a risk management framework to monitor, evaluate and manage these risks. The following provides information about the Association's risk exposure at December 31, 2019:

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from its members. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts. The Association has a significant number of members which minimizes the concentration of risk. As at December 31, 2019, accounts receivable includes an allowance for doubtful accounts of \$Nil (2018 - \$39,247). During the year, bad debt expense of \$Nil (2018 - \$39,247) was recorded on the statement of operations. The Association also mitigates its exposure to credit loss by placing its cash, restricted cash and short-term investments with major financial institutions.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.

Market risk is the risk that the fair value or future cash flows will fluctuate because of changes in market prices. Market risk is comprised of currency rate risk, interest rate risk and other price risk. The Association is exposed to interest rate risk to the extent its bank balances and short-term investments bear interest at fixed interest rates.

### 8. Capital Reserve

A capital reserve has been set up for future property and equipment expenditures expected to be made by the Association. Additions to or drawings from the reserve are at the discretion of the Board of Directors. During the year, \$65,000 was transferred from unrestricted funds to the capital reserve (2018 - \$38,334 transferred from the capital reserve).

### 9. Comparative Figures

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

### 10. Subsequent Event

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specially identified as "COVID-19" has resulted in governments enacting emergency measures to combat the pandemic. As of the date of these financial statements, the COVID-19 pandemic has affected the Association's operations, such as requiring temporary closures and imposing restrictions on the number of people for indoor events. It is not possible to reliably estimate the length and severity of these developments and the impact of the financial results and conditions on the Association in future periods.