

Cougar Ridge Residents' Association

Auditor's Report and Financial Statements

December 31, 2020

Independent Auditor's Report

To: Cougar Ridge Residents' Association

My Opinion

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Cougar Ridge 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 Corporation's financial statements comprise:

- the statement of financial position as at **December 31, 2020**;
- the statement of operations and change in operating fund for 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.

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
May 28, 2021

Shahid Naqi Professional Corporation
Shahid Naqi Professional Corporation
Chartered Professional Accountant

Cougar Ridge Residents' Association

Statement of Financial Position

December 31, 2020

	<u>2020</u>	<u>2019</u>
<u>Current assets</u>		
Cash	\$256,216	\$213,510
Amounts due from owners	56,245	47,678
Prepaid insurance	970	810
Goods and Services Tax receivable	-	1,398
	<u>\$313,431</u>	<u>\$263,396</u>
<u>Current liabilities</u>		
Accounts payable and accrued liabilities	\$8,317	\$5,807
Association fees paid in advance	4,357	7,916
Goods and Services Tax payable	900	-
	<u>13,574</u>	<u>13,723</u>
<u>Net assets</u>		
Unrestricted net assets	299,857	249,673
	<u>299,857</u>	<u>249,673</u>
	<u>\$313,431</u>	<u>\$263,396</u>

Approved by the Board:

 _____, Director

 _____, Director

Cougar Ridge Residents' Association

Statement of Operations and Change in Unrestricted Net Assets

Year ended December 31, 2020

	2020	Budget	2019
		(Unaudited)	
Revenue			
Association fees	\$165,393	\$165,393	\$162,282
Interest and other	3,130	22,140	9,803
	168,523	187,533	172,085
Expenses			
Administration			
Management fees	24,440	24,000	25,273
Office	14,774	29,529	12,927
Professional fees	4,798	8,205	2,130
Insurance	1,314	1,230	996
Operating			
Landscaping	73,013	150,000	155,519
	118,339	212,964	196,845
Excess (deficiency) of revenue over expenses	50,184	(25,431)	(24,760)
Unrestricted net assets, start of year	249,673	-	274,433
Unrestricted net assets, end of year	\$299,857	\$(25,431)	\$249,673

Cougar Ridge Residents' Association

Statement of Cash Flows

Year ended December 31, 2020

	<u>2020</u>	<u>2019</u>
Operating activities		
Association fees	\$153,267	\$168,139
Interest and other	3,130	9,803
Operating expenses	<u>(113,691)</u>	<u>(200,208)</u>
Increase (decrease) in cash	42,706	(22,266)
Cash, start of year	213,510	235,776
Cash, end of year	<u>\$256,216</u>	<u>\$213,510</u>

Cougar Ridge Residents' Association

Notes to Financial Statements

December 31, 2020

1. Organization:

Cougar Ridge Residents' Association (the Association) was incorporated under the Companies Act of Alberta as a not-for-profit organization whose membership comprises the one thousand five hundred and fifteen lot owners in the Cougar Ridge subdivision. The purpose of the Association is to collect association fees so as to perform the activities specified in the restrictive covenant registered on each lot.

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. Cash:

Cash comprises a daily interest bank account.

ii. 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.

iii. Revenue recognition:

Association fees are due annually on June 29th and overdue accounts are charged interest at the rate of 18% per annum. Interest income is accrued daily.

iv. 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.

Cougar Ridge Residents' Association

Notes to Financial Statements

December 31, 2020

3. 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

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 \$256,216 on December 31, 2020, \$100,000 was insured by the Canada Deposit Insurance Corporation and the average rate of interest was 0.40% (2019 – 0.40% on \$213,510).

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, through the use of a daily interest bank account, earning a return while maintaining liquidity.

4. Commitment:

The Association has entered into a three-year contract for landscaping maintenance at \$70,790 for 2020; \$72,206 for 2021 and \$73,650 for 2022.