

NORTHSTAR RESIDENTS ASSOCIATION

FINANCIAL STATEMENTS

March 31, 2019



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Independent Auditor's Report

To the Board of Directors of Northstar Residents Association

Opinion

We have audited the financial statements of Northstar Residents Association (the Association), which comprise the statement of financial position as at March 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 the Association as at March 31, 2019, and its results of 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 *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 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.

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 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.

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.

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.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
June 25, 2019

NORTHSTAR RESIDENTS ASSOCIATION
Statement of Financial Position
As at March 31

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash	\$ 758,105	\$ 577,774
Restricted cash	124,976	482,283
Short-term investment	700,000	-
Accounts receivable	204,064	309,670
Prepaid expenses and deposits	<u>3,145</u>	<u>2,184</u>
	1,790,290	1,371,911
CAPITAL ASSETS (Note 4)	<u>2,515,931</u>	<u>2,520,818</u>
	<u>\$ 4,306,221</u>	<u>\$ 3,892,729</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 54,487	\$ 88,351
Deferred revenue	66,307	65,704
Due to Genstar (Note 2)	<u>24,613</u>	<u>24,613</u>
	145,407	178,668
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 5)	<u>1,711,764</u>	<u>1,797,818</u>
	1,857,171	1,976,486
NET ASSETS INVESTED IN CAPITAL ASSETS (Notes 3 & 5)	804,167	723,000
INTERNALLY RESTRICTED RESERVE FUND (Note 3)	780,018	430,190
UNRESTRICTED NET ASSETS (Note 3)	<u>864,865</u>	<u>763,053</u>
	<u>\$ 4,306,221</u>	<u>\$ 3,892,729</u>

Commitments (Note 6)

Approved on behalf of the Association:

Director

Director

NORTHSTAR RESIDENTS ASSOCIATION
Statement of Operations
For the year ended March 31

	<u>2019</u>	<u>2018</u>
REVENUES		
Membership fees	\$ 1,588,188	\$ 1,599,081
Programming	78,924	68,418
Amortization of deferred contributions (Note 5)	86,054	86,054
Facility rental	15,585	40,426
Interest and other	24,709	14,454
	<u>1,793,460</u>	<u>1,808,433</u>
EXPENSES		
Amortization:		
Purchased	4,484	-
Contributed	86,054	86,054
Bad debts	5,230	-
Insurance	7,143	13,102
Interest and bank charges	1,168	10,634
Management fees	53,530	216,000
Office and administration	195,111	138,950
Program	72,451	74,390
Property taxes	-	158
Repairs and maintenance	242,933	254,115
Salaries and wages	484,563	469,994
Security	23,973	11,351
Utilities	84,013	75,113
	<u>1,260,653</u>	<u>1,349,861</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 532,807</u>	<u>\$ 458,572</u>

NORTHSTAR RESIDENTS ASSOCIATION
Statement of Changes in Net Assets
For the year ended March 31

	Unrestricted	Net assets invested in capital	Internally restricted reserve fund	2019	2018
Net assets, beginning of year	\$ 763,053	\$ 723,000	\$ 430,190	\$ 1,916,243	\$ 1,457,671
Excess of revenues over expenses	532,516	(4,484)	4,775	532,807	458,572
Invested in capital assets	(85,651)	85,651	-	-	-
Transfer from unrestricted assets (Note 3)	(345,053)	-	345,053	-	-
Net assets, end of year	\$ 864,865	\$ 804,167	\$ 780,018	\$ 2,449,050	\$ 1,916,243

NORTHSTAR RESIDENTS ASSOCIATION
Statement of Cash Flows
For the year ended March 31

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 532,807	\$ 458,572
Items not affecting cash:		
Amortization	90,538	86,054
Amortization of deferred contributions	(86,054)	(86,054)
Change in non-cash working capital items:		
Accounts receivable	105,606	(139,286)
Prepaid expenses and deposits	(961)	840
Accounts payable and accrued liabilities	(33,864)	53,760
Deferred revenue	603	(16,980)
Transfer from (to) restricted cash	357,307	(281,475)
	<u>965,982</u>	<u>75,431</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of short-term investment	(700,000)	-
Purchase of capital assets	(85,651)	-
	<u>(785,651)</u>	<u>-</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITY		
Repayments to Genstar	-	(4,007)
	<u>-</u>	<u>(4,007)</u>
INCREASE IN CASH	180,331	71,424
CASH, BEGINNING OF YEAR	<u>577,774</u>	<u>506,350</u>
CASH, END OF YEAR	<u><u>\$ 758,105</u></u>	<u><u>\$ 577,774</u></u>

NORTHSTAR RESIDENTS ASSOCIATION
Notes to the Financial Statements
March 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

a) Purpose

The Northstar Residents Association (the "Association") was incorporated as a not-for-profit corporation on December 18, 2000 under Section 9 of the Companies Act of the Province of Alberta, R.S.A. 1980. As such, the Association is exempt from income tax under the Income Tax Act. The Association owns and operates amenities for the use of its members, the residents of Panorama Hills. On January 25, 2001, a turn-over agreement was entered into with Genstar Development Company ("Genstar"). The turn-over agreement specified that on the effective date, Genstar will deliver to the Association; land titles to the private parcels, a bill of sale for all the chattels owned by Genstar and used in the operation of the private parcels and reserves, and a transfer of all the encumbrances for each property in the community. The effective date of the turn-over agreement was April 1, 2016.

b) Basis of accounting

The financial statements of the Association have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

c) Revenue recognition

The Association uses the deferral method of accounting for contributions. Contributions of capital assets or for the purchase of capital assets which are subject to amortization are deferred and amortized on the same basis as those capital assets. Contributions of capital assets or for the purchase of capital assets which are not subject to amortization are recorded as a direct increase to net assets.

Membership, program, and facility rental fees are recognized as revenue in the year to which they relate. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions, such as grants and donations not designated for a specific purpose, are recognized as revenue when received, or if the amount can be reasonably estimated and collection is reasonably assured.

Interest and other revenue is recorded on an accrual basis.

Deferred revenue, such as deferred program and rental fees, arise from receipt of payments in advance of the period in which they are earned.

d) Use of estimates

In accordance with ASNPO, estimates and assumptions are made by management in the preparation of these financial statements. These estimates may impact the amounts included in the financial statements. The most significant of these estimates are related to amortization and the estimated useful life of the capital assets and accrued liabilities. Actual results could differ from these estimates.

NORTHSTAR RESIDENTS ASSOCIATION
Notes to the Financial Statements
March 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

e) Capital assets

Capital assets contributed to the Association are recorded at fair value on the date of contribution.

Amortization is based on estimated useful life calculated on a straight line basis as follows:

Building	40 years
Amenities	25 years
Equipment	5 and 10 years
Computer equipment	5 years

Land is not subject to amortization.

f) Cash and restricted cash

Cash consists of balances with financial institutions and cash on hand. Restricted cash consists of balances held at financial institutions that have been restricted by management for use in future maintenance of amenities.

g) Short-term investment

Short-term investment consists of a guaranteed investment certificate with a maturity date of December 6, 2019 which earns interest at a rate of 2.20%.

h) Impairment of long-lived assets

Capital assets are tested annually for impairment where impairment indicators are present. This would occur if an item no longer contributes to the Association's ability to provide services. Any excess of the item's carrying value, with no long-term service potential, over its residual value is recognized as an expense in the year.

i) Financial instruments

The Association's financial instruments consist of cash, short term investments, accounts receivable, and accounts payable and accrued liabilities. All financial instruments are initially measured at fair value and subsequently measured at amortized cost.

Financial assets are tested for impairment when changes in circumstances indicate that the asset could be impaired. Transaction costs on the acquisition and sale of financial instruments are expensed for those items re-measured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

NORTHSTAR RESIDENTS ASSOCIATION
Notes to the Financial Statements
March 31, 2019

2. DUE TO GENSTAR

The Association was incorporated on December 18, 2000, but did not carry on any active business until April 1, 2016, which was the turn-over date from the developer of the community, Genstar. The Association and Genstar entered into a turn-over agreement (the "agreement") which specified that at the effective date, which was April 1, 2016, Genstar would transfer title to the parcel of land on which the community building is located and also to the seventeen entrance parcels and six linear park parcels within the Panorama Hills community. As part of the agreement, the Association received a bill of sale to transfer the capital assets into its ownership. The net result of transactions incurred on turn-over is an amount payable of \$24,613 (2018 - \$24,613) due to Genstar.

3. NET ASSETS

The Association may budget and set aside any of the accumulated excess of revenues over expenses to create a reserve fund for the purpose of replacing future assets, maintaining the property and meeting contingencies.

Each year a portion of the Association's assets are segregated into a restricted reserve fund which is consistent with the Life Cycle Study ("the Study") that was conducted on September 19, 2017. Any repairs or capital replacement incurred in the period that are outlays associated with those outlined within the Study will be deducted from the reserve fund. During the year, management determined that \$4,775 of revenue (2018 - \$57,084 of expenses) were related to the reserve study. During the year, the Association has transferred \$345,053 (2018 - \$287,274) from unrestricted net assets to internally restricted net assets. The Association has also internally restricted its assets invested in capital assets.

4. CAPITAL ASSETS

			2019		2018	
	Cost	Accumulated amortization	Net book value		Net book value	
Building	\$ 1,121,458	\$ 83,993	\$ 1,037,465	\$	1,063,626	
Amenities	700,000	84,000	616,000		644,000	
Equipment - 5 yr	140,420	84,252	56,168		84,252	
Equipment - 10 yr	78,381	3,919	74,462		-	
Computer equipment	15,318	6,482	8,836		5,940	
	2,055,577	262,646	1,792,931		1,797,818	
Land	723,000	-	723,000	\$	723,000	
	<u>\$ 2,778,577</u>	<u>\$ 262,646</u>	<u>\$ 2,515,931</u>	<u>\$</u>	<u>2,520,818</u>	

5. DEFERRED CONTRIBUTIONS

Deferred contributions relate to capital assets contributed to the Association by Genstar (Note 2).

Contributions amount to \$1,969,926 (2018 - \$1,969,926) less accumulated amortization of \$258,162 (2018 - \$172,108). The land contributed by Genstar is not subject to amortization and has therefore been recorded as a direct increase to net assets.

NORTHSTAR RESIDENTS ASSOCIATION
Notes to the Financial Statements
March 31, 2019

6. COMMITMENTS

The Association has commitments for software and support services and landscaping maintenance requiring minimum annual payments over the next two years as follows:

2020	\$	110,524
2021		31,824
	\$	142,348

7. FINANCIAL INSTRUMENTS

The Association, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. The Association manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The risks and related management strategies are discussed below:

a) Credit risk

The Association is exposed to credit risk through its cash and accounts receivable.

The Association’s credit risk is primarily attributable to its accounts receivable. The accounts receivable represents annual charges not collected from members. The risk is mitigated due to the fact that the Association takes legal action on overdue accounts and places a lien on the property of the member and will collect the annual charge upon sale of the home if the member chooses not to pay the annual charge. The credit risk on cash is limited because the counterparty is a major Canadian financial institution.

b) Liquidity risk

Liquidity risk is the risk that the Association would encounter difficulty in meeting obligations with financial liabilities.

Liquidity risk includes the risk that the Association will not have sufficient funds to settle a transaction on the due date. Liquidity risk arises from accounts payable and accrued liabilities. This risk is mitigated as the Board reviews financials monthly and ensures that they will have sufficient funds to meet all obligations.

c) 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 risk, interest rate risk and other price risk. The Association is mainly exposed to interest rate risk due to investments in GIC's with floating interest rates.

The Association’s limits its risk by investing in GIC's with terms less than one year

NORTHSTAR RESIDENTS ASSOCIATION
Notes to the Financial Statements
March 31, 2019

8. RECLASSIFICATION OF PRIOR YEAR BALANCES

Certain comparative figures have been reclassified to conform with the current year's presentation. This reclassification has no effect on the prior year excess of revenues over