

Financial Statements of

**THE PROPERTIES OF DONSDALE
RESIDENTS ASSOCIATION**

December 31, 2010

Independent Auditor's Report

To the Members of The Properties of Donsdale Residents Association

We have audited the accompanying financial statements of The Properties of Donsdale Residents Association, which comprise the statement of financial position as at December 31, 2010, and the statement of revenues and expenditures and members' deficit for the year then ended, 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 generally accepted accounting principles, 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

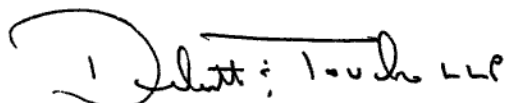
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Properties of Donsdale Residents Association as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

June 29, 2011

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THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION
Statement of Financial Position
December 31, 2010

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT		
Cash - operations	\$ 12,008	\$ 29,702
Cash - replacement reserve	9,020	8,989
Accounts receivable	6,374	2,599
	\$ 27,402	\$ 41,290
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 7,985	\$ 7,516
Deferred revenue	-	8
Due to affiliated company (Note 4)	58,635	56,622
	66,620	64,146
CONTINGENCY (Note 5)		
CAPITAL DEFICIENCY		
Members' deficit (Note 6)	(39,218)	(22,856)
	\$ 27,402	\$ 41,290

APPROVED BY THE BOARD

..... Director

..... Director

THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION
Statement of Revenues and Expenditures and Members' Deficit
Year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
REVENUES		
Membership levies	\$ 93,904	\$ 91,187
Interest	247	307
	<u>94,151</u>	<u>91,494</u>
EXPENDITURES		
Landscaping maintenance	60,531	46,629
Repairs and maintenance	30,765	15,324
Professional fees (Note 7)	5,449	5,485
Street cleaning and snow removal	4,838	7,749
Utilities - water and power	3,738	4,191
General and administration (Note 7)	3,091	2,737
Interest on due to affiliated company	1,928	1,787
Property taxes	149	36
Interest and bank charges	24	50
	<u>110,513</u>	<u>83,988</u>
NET (LOSS) EARNINGS	(16,362)	7,506
MEMBERS' DEFICIT, BEGINNING OF YEAR	(22,856)	(30,362)
MEMBERS' DEFICIT, END OF YEAR	\$ (39,218)	\$ (22,856)

THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION

Notes to the Financial Statements

Year ended December 31, 2010

1. DESCRIPTION OF BUSINESS

The Properties of Donsdale Residents Association (the "Association") was incorporated under the provisions of Part IX of the Companies Act of Alberta on February 27, 1998 and commenced active operations in July 2002.

The Association is a non-profit organization that was established to manage the upkeep of the community lands and amenities of the Donsdale properties. The Association is exempt from corporate income taxes. Owners of property within the Donsdale lands are automatically members of the Association and are required to remain members.

2. CHANGE IN ACCOUNTING POLICIES

New accounting framework

The Canadian Institute of Chartered Accountants ("CICA") has issued a new accounting framework, applicable to Canadian private sector not-for-profit organizations. Effective for fiscal years beginning January 1, 2012, these organizations will have to choose between International Financial Reporting Standards (Part I of the CICA Handbook) and Canadian accounting standards for not-for-profit organizations (Part III of the CICA Handbook). Early adoption of the standards is permitted. The Association current plans to adopt the new accounting standards for not-for-profit organizations; however, the date of transition to the new standards and the impact of this transition has not yet been determined.

3. ACCOUNTING POLICIES

The Association has elected to use the exemption provided by the CICA permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Association for the year ended December 31, 2010. The Association applies the requirements of Section 3861 of the CICA Handbook.

The financial statements of the Association have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Cash

Cash - operations, includes cash on hand in bank accounts less cheques issued and represents funds available for general operations.

Cash - replacement reserve, represents a separate bank account established by the Board of Directors to assist in the funding of major repairs or future capital replacements; however the funds are available for current operations on an as needed basis.

THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION

Notes to the Financial Statements

Year ended December 31, 2010

3. ACCOUNTING POLICIES (continued)

Revenue recognition

The Association follows the deferral method of accounting for membership levies. Members are billed for the membership levy throughout the year as they join the Association with the annual fees billed on January 1. Any levies received for the subsequent years are recorded as deferred revenue.

Financial instruments

The following policy was used to determine the fair value of each class of financial assets and financial liabilities:

- Cash is classified as financial assets held for trading and is measured at fair value;
- Membership levies receivable is classified as loans and receivables and is recorded at amortized cost using the effective interest method; and
- Accounts payable and accrued liabilities and due to affiliated company are classified as other liabilities and are recorded at amortized cost using the effective interest method.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. Significant estimates included in these financial statements include the allowance for doubtful amounts, the amount of accrued liabilities and fair value of financial instruments. Actual results could differ from those estimates.

4. DUE TO AFFILIATED COMPANY

One of the Directors of the Association is an employee of Alldritt Development Limited, the developer of the Donsdale properties. Alldritt Development Limited has made payments on behalf of the Association for which it has not yet been reimbursed. These amounts are unsecured, repayable on demand and bear interest at prime plus 1%. During the year, Alldritt Development Limited charged a total of \$1,928 (2009 - \$1,787) in interest.

5. CONTINGENCY

The Association is required by the City of Edmonton to provide an irrevocable letter of credit for \$75,000 (2009 - \$75,000) as a guarantee to ensure continued maintenance of the Donsdale properties. This letter of credit has been established by Alldritt Development Limited on behalf of the Association.

THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION

Notes to the Financial Statements

Year ended December 31, 2010

6. CAPITAL MANAGEMENT

The Association's goal in managing its capital is to safeguard its ability to carry out its purpose in managing the upkeep of the community lands and amenities of the Donsdale properties. Funds are raised through membership levies. To accomplish the Association's goal, policies have been established to preserve the financial condition of the Association and financial reports are reviewed by management and the Board of Directors.

7. RELATED PARTY TRANSACTIONS

During the year, Alldritt Development Limited provided corporate services, at fair market value, to the Association and charged \$3,567 (2009 - \$3,487), which has been recorded as follows:

	<u>2010</u>	<u>2009</u>
General and administration	\$ 2,817	\$ 2,737
Professional fees	750	750
	<u>\$ 3,567</u>	<u>\$ 3,487</u>

8. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk that a counterparty may fail to perform its obligations. The Association faces credit risk from its members. The credit risk is mitigated because the Association has a registered encumbrance on the title of the property owned by each member.

Interest rate risk

Interest rate risk is the risk to the Association's earnings that arises from fluctuations of interest rates. The Association is exposed to interest rate risk on the amount due to affiliated company because this amount bears interest based on the bank prime rate.

9. STATEMENT OF CASH FLOW

A statement of cash flow has not been prepared as the information that would normally be provided by that statement is readily available in the statements presented.