

*Financial Statements of*

**THE PROPERTIES OF DONSDALE  
RESIDENTS ASSOCIATION**

*December 31, 2011*

## 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, 2011, 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

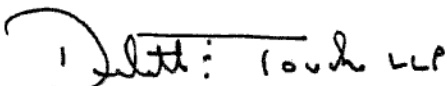
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2011, 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

May 23, 2012

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# THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION

## Statement of Financial Position

December 31, 2011

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash - operations	\$ -	\$ 12,008
Cash - replacement reserve	9,087	9,020
Accounts receivable	11,762	6,374
	<u>\$ 20,849</u>	<u>\$ 27,402</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank indebtedness - operations	\$ 1,061	\$ -
Accounts payable and accrued liabilities	8,549	7,985
Deferred revenue	352	-
Due to affiliated company (Note 4)	60,818	58,635
	<u>70,780</u>	<u>66,620</u>
CONTINGENCY (Note 5)		
<b>CAPITAL DEFICIENCY</b>		
Members' deficit (Note 6)	(49,931)	(39,218)
	<u>\$ 20,849</u>	<u>\$ 27,402</u>

APPROVED BY THE BOARD

..... Director

..... Director

**THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION**

**OPERATING BUDGET  
For the Year Ended December 31, 2012**

**REVENUES**

Membership levies	105,585
Interest income	375
<b>TOTAL REVENUES</b>	<b><u>105,960</u></b>

**EXPENDITURES**

**General & administrative:**

Management fees	3,179
Administrative and legal fees	1,775
Insurance	1,000
Interest - long term	2,316
Professional fees	4,100

**General Operating/Maintenance:**

Landscaping maintenance	57,500
Property taxes	159
Repairs and maintenance	15,000
Security	-
Snow removal	6,250
Utilities - water/power	4,626
Miscellaneous	500

<b>TOTAL EXPENDITURES</b>	<b><u>96,405</u></b>
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<b>OPERATING EXCESS OF REVENUES OVER EXPENDITURES</b>	<b><u>9,554</u></b>
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**LESS: NON OPERATING**

Loan principal repayment (Alldritt)	0
City of Edmonton Letter of Credit (\$75,000)	0
Fence repair reserve	0
Capital replacement reserve	0
	<u>0</u>

<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b><u>9,554</u></b>
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## REVENUES

<b>Members levies:</b>	<b>Amount to be Collected</b>	
Full annual levy amount	291.67 (Increase=2.25% Inflation=2.3%)	
<u>The Properties Stage 1 (Donsdale 3) - (69 lots)</u>		
Sold lots (full levy)	69	20,125
<u>The Properties Stage 2 (Donsdale 4) - (53 lots)</u>		
Sold lots (full levy)	53	15,459
<u>The Properties Stage 3 (Donsdale 6) - (51 lots)</u>		
Sold lots (full levy)	51	14,875
<u>The Properties Stage 4 (Donsdale 8) - (47 lots)</u>		
Sold lots (full levy)	47	13,708
<u>The Properties Stage 5 (Donsdale 9A &amp; 9B) - (35 lots)</u>		
Sold lots (full levy)	35	10,208
<u>The Properties Stage 6 (Donsdale 10) - (27 lots)</u>		
Sold lots (full levy)	27	7,875
<u>The Properties Stage 7 (Donsdale 11) - (34 lots)</u>		
Sold lots (full levy)	34	9,917
<u>The Properties Stage 8 (Donsdale 12) - (41 lots)</u>		
Sold lots (full levy)	30	8,750
Inventory lots (50% of 1/2 of levy)	11	802
<u>Klass Investment lots - (28 &amp; 7 lots)</u>		
Sold lots (full levy)	6	1,750
Inventory lots (50% of 1/2 of levy)	29	2,115
<b>Total member levies</b>		<b>105,585</b>

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### **Interest Income:**

Average bank balance	\$30,000	
Interest rate	0.75%	
Total Bank interest (12 months)		225
Estimated late charges to members		150
<b>Total Interest income</b>		<b>375</b>

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**EXPENSES****General & administrative****Management fees:**

Alldritt Management fees (3% of gross revenues)	3,178.79
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<b>Total Management fees</b>	<b>3,179</b>
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**Administrative and Legal fees:**

Annual Return	200.00
Annual General Meeting	500.00
Field Law LLP Legal fees	300.00
Bank service charges	25.00
Cost of Letter of Credit (\$75,000)	750.00

<b>Total Administrative and Legal fees</b>	<b>1,775</b>
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**Insurance:**

Pond/Streamcourse amenity insurance	1,000.00
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<b>Total Insurance</b>	<b>1,000</b>
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**Interest - Long Term**

Interest to Alldritt Development (\$57,900 @ 4.0%	2,316.00
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<b>Total Interest - Long Term</b>	<b>2,316</b>
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**Professional fees:**

Annual Audit fees	4,100.00
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<b>Total Professional fees</b>	<b>4,100</b>
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**General Operating/Maintenance:**

		Prior Year
<b>Landscaping maintenance:</b>		
Cut lawns:		
Streamcourse/Common Areas (5 mo @ \$600)	30,000.00	31,251.00
Streamcourse water edge (4 mos @ \$500/eac)	2,000.00	2,117.00
Pull/spray weeds:		
Streamcourse (5 months @ \$1250/each)	6,250.00	5,379.00
Streamcourse cleanup (bulrushes, etc.)	4,000.00	4,035.00
Fertilize lawns (4 times @ \$2000/each)	8,000.00	7,987.00
Garbage cleanup (12 months @ \$250/each)	3,000.00	2,491.00
Tree pruning/maintenance	2,000.00	2,761.00
Woodchips for shrub beds	500.00	0.00
Maintain/Refill doggy bags	1,250.00	2,085.00
Miscellaneous landscaping	500.00	556.00
<b>Total Landscaping</b>	<b>57,500</b>	

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**Property taxes:**

Walkway (Plan: 992-5082 Blk: 53 Lot: A)		
2011 Levy + 5%	112.35	
Danbury Boulevard Entry		
2011 Levy + 5%	9.45	
Dalhousie Way Entry (Plan: 002-4723 Blk: 53 Lot: A)		
2011 Levy + 5%	36.75	
<b>Total Property taxes</b>	<b>159</b>	

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**Repairs and maintenance:**

Spring startup of fountains	4,000.00	3,794.00
Fall shutdown of fountains	6,000.00	5,905.00
Entry and streamcourse lights	500.00	158.00
Fountain pump/head repairs	1,500.00	5,398.00
Fountain defoaming	500.00	576.00
Graffiti/Vandalism	1,000.00	1,334.00
Fence & gazebo painting	1,000.00	0.00
Miscellaneous repairs & maintenance	500.00	588.00

<b>Total Repairs and maintenance</b>	<b>15,000</b>	
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**Security:**

Security patrols	0.00	
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<b>Total Security</b>	<b>0</b>	
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**Street cleaning / snow removal:**

Street sweeping	0.00	
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Snow removal & sanding (5 months @ \$1250 ea.)	6,250.00	15,083.00
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<b>Total Street Cleaning/Snow Removal</b>	<b>6,250</b>	
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**Utilities (water & power): previous yr + 5%**

Danbury Boulevard Entry (5301 Lessard Rd)	1,512.00	4,040.00
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Dalhousie Way Entry (18301 Lessard Rd)	816.90	778.00
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Streamcourse (18201 Lessard Rd)	2,297.40	2,188.00
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<b>Total Utilities (water &amp; power)</b>	<b>4,626</b>	
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**Miscellaneous:**

Contingency	500.00	
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<b>Total Miscellaneous</b>	<b>500</b>	
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**THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION**  
**Statement of Revenues and Expenditures and Members' Deficit**  
**Year ended December 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>REVENUES</b>		
Membership levies	\$ 97,118	\$ 93,904
Interest	537	247
	<u>97,655</u>	<u>94,151</u>
<b>EXPENDITURES</b>		
Landscaping maintenance	58,662	60,531
Repairs and maintenance	17,750	30,765
Street cleaning and snow removal	15,083	4,838
Utilities - water and power	7,007	3,738
Professional fees (Note 7)	4,535	5,449
General and administration (Note 7)	2,913	3,091
Interest on due to affiliated company (Note 4)	2,227	1,928
Property taxes	150	149
Interest and bank charges	41	24
	<u>108,368</u>	<u>110,513</u>
<b>NET LOSS</b>	<b>(10,713)</b>	<b>(16,362)</b>
<b>MEMBERS' DEFICIT, BEGINNING OF YEAR</b>	<b>(39,218)</b>	<b>(22,856)</b>
<b>MEMBERS' DEFICIT, END OF YEAR</b>	<b>\$ (49,931)</b>	<b>\$ (39,218)</b>

# THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION

## Notes to the Financial Statements

Year ended December 31, 2011

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### 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 currently plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning January 1, 2012; however, the impact of this transition has not yet been determined.

### 3. ACCOUNTING POLICIES

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*

Bank indebtedness - 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.

#### *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.

# THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION

## Notes to the Financial Statements

Year ended December 31, 2011

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### 3. ACCOUNTING POLICIES (continued)

#### *Financial instruments*

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, 2011. The Association applies the requirements of Section 3861 of the CICA Handbook.

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.

Membership levies and accounts payable and accrued liabilities approximate their fair value given their current nature.

#### *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 \$2,227 (2010 - \$1,928) in interest.

### 5. CONTINGENCY

The Association is required by the City of Edmonton to provide an irrevocable letter of credit for \$75,000 (2010 - \$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, 2011

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### 6. CAPITAL MANAGEMENT

The Association's goal in managing its capital, defined as members' deficit, 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. The Association's definition of capital and policies and procedures for managing capital are unchanged from prior year.

### 7. RELATED PARTY TRANSACTIONS

During the year, Alldritt Development Limited provided corporate services, at fair market value, to the Association and charged \$3,663 (2010 - \$3,567), which has been recorded as follows:

	<u>2011</u>	<u>2010</u>
General and administration	\$ 2,913	\$ 2,817
Professional fees	750	750
	<u>\$ 3,663</u>	<u>\$ 3,567</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.