

**THE PROPERTIES OF DONSDALE
RESIDENTS ASSOCIATION**

Financial Statements

Year Ended December 31, 2017

THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION

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Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Directors 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, 2017 and the statements of revenues and expenditures, changes in net assets and cash flow 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 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.

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.

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Independent Auditor's Report to the Directors of The Properties of Donsdale Residents Association
(continued)

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, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Alberta
May 29, 2018

Coyle & Company
CHARTERED ACCOUNTANTS

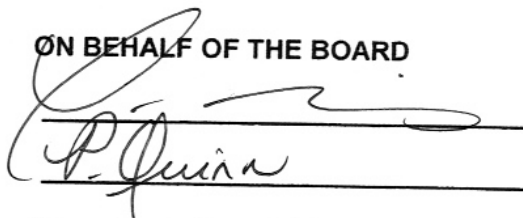
THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION

Statement of Financial Position

December 31, 2017

	2017	2016 <i>Revised</i>
ASSETS		
CURRENT		
Cash (Note 2)	\$ 152,786	\$ 80,615
Accounts receivable	18,204	17,270
Prepaid insurance	885	885
	<u>\$ 171,875</u>	<u>\$ 98,770</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 5,077	\$ 5,275
Goods and services tax payable	2,433	2,053
Prepaid resident association fees	12,951	-
	<u>20,461</u>	<u>7,328</u>
NET ASSETS		
Operating fund	71,965	32,456
Capital replacement reserve fund (Note 3)	79,449	58,986
	<u>151,414</u>	<u>91,442</u>
	<u>\$ 171,875</u>	<u>\$ 98,770</u>

ON BEHALF OF THE BOARD

 _____ Director
 _____ Director

See notes to financial statements

THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION

Statement of Revenues and Expenditures

Year Ended December 31, 2017

	2017	2016 <i>Revised</i>
REVENUES		
Resident association fees	\$ 119,080	\$ 118,370
EXPENSES		
General maintenance	66,405	73,621
Professional fees	5,767	3,002
Power and water	3,550	1,957
Insurance	1,900	2,084
Office	1,419	1,854
Rental	350	350
Interest and bank charges	219	446
Business taxes, licenses and memberships	10	350
Bad debts	-	16
	<u>79,620</u>	<u>83,680</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>39,460</u>	<u>34,690</u>
OTHER INCOME		
Capital replacement reserve fund contributions	20,435	26,996
Interest income	77	49
	<u>20,512</u>	<u>27,045</u>
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<u>\$ 59,972</u>	<u>\$ 61,735</u>

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Statement of Changes in Net Assets

Year Ended December 31, 2017

	General Fund	Capital Replacement Reserve Fund	2017	2016
NET ASSETS - BEGINNING OF YEAR				
As previously reported	\$ 29,936	\$ 58,986	\$ 88,922	\$ 29,707
Prior period adjustments (Note 6)	2,520	-	2,520	-
As restated	32,456	58,986	91,442	29,707
EXCESS OF REVENUES OVER EXPENSES	39,509	20,463	59,972	61,735
NET ASSETS - END OF YEAR	\$ 71,965	\$ 79,449	\$ 151,414	\$ 91,442

THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION

Statement of Cash Flow

Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 59,972	\$ 61,735
Changes in non-cash working capital:		
Accounts receivable	(934)	(280)
Prepaid insurance	-	184
Accounts payable	(198)	(5,128)
Prepaid resident association fees	12,951	(1)
Goods and services tax payable	380	(290)
	<u>12,199</u>	<u>(5,515)</u>
INCREASE IN CASH FLOW	72,171	56,220
Cash - beginning of year	<u>80,615</u>	<u>24,395</u>
CASH - END OF YEAR	\$ 152,786	\$ 80,615

THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

NATURE OF OPERATIONS

The Properties of Donsdale Residents Association (The Association) was incorporated February 27, 1998 under the provisions of Part IX of the Companies Act of Alberta and commenced operations in July 2002. The Association is exempt from income taxes under the Income Tax Act of Canada.

The purpose of the Association is to maintain and operate the Donsdale amenities for the benefit of the residents in the Donsdale Neighbourhood. The Donsdale amenities consist of certain public community lands including upgraded landscaping, lighting, and other improvements located on certain public utility lots, parks, boulevards, walkways and other lands owned by The City of Edmonton and for which the Association is responsible for upkeep.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Fund accounting

The Association follows the restricted fund method of accounting for contributions. The funds are as follows:

(a) Operating Fund

The Operating Fund accounts for the Association's operating and administrative activities.

(b) Capital Replacement Reserve Fund

The Capital Replacement Reserve Fund reports contributions from residents that are to be set aside and used for future costs of major repairs and replacements.

Revenue recognition

Resident levies are recognized as revenue in the Operating Fund in the year in which they pertain to.

Capital Replacement Reserve Fund contributions are recognized as revenue when they are received.

Contributed goods and services

Donated items, including capital assets, are recorded in these financial statements at fair value to the extent the value can be reasonably estimated. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. CASH

Included in cash is \$67,667 (2016 - \$27,446) restricted for the use of funding major future repairs and replacements in accordance with the Capital Replacement Reserve Fund.

3. CAPITAL REPLACEMENT RESERVE FUND

The Association has established a Capital Replacement Reserve Fund to fund future major repairs and replacements of the common property. Subsequent to year-end, \$11,782 (2016 - \$31,540) was transferred into the Capital Replacement Reserve Fund bank account.

4. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2017.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from residents failing to pay their levies. In order to reduce its credit risk, the Association has a registered encumbrance of the title of property owned by each resident, and actively sends accounts to collections when assessments are not paid and owners are charged with interest and collection costs.

Liquidity risk

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 receipt of funds from its residents, and accounts payable.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Association is exposed to interest rate risk as a result of its interest bearing bank balance.

5. COMPARATIVE FIGURES

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

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Notes to Financial Statements

Year Ended December 31, 2017

6. PRIOR PERIOD ADJUSTMENTS

Subsequent to the issuance of the December 31, 2016 financial statements it was determined that accounts payable was overstated by \$2,646, Goods and services tax payable was understated by \$126 and professional fees were overstated by \$2,520.

The comparative financial statements have been revised to reflect the required correction.
