

# Keswick on the River HOA

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DRAFT FINANCIAL STATEMENTS

DECEMBER 31, 2022

*Draft*

# Keswick on the River HOA

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DECEMBER 31, 2022

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## DRAFT INDEPENDENT AUDITORS' REPORT

To the Owners of Keswick on the River HOA:

### **Qualified Opinion**

We have audited the accompanying financial statements of the Keswick on the River HOA (the "Association") which comprise the statement of financial position as at December 31, 2022, and the statements of operations and changes in fund balances for the operating fund, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Qualified 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 responsibilities in accordance with these requirements.

The developer is responsible for the record keeping in relation to the sale of lots in the Association development. The sales of these lots, and related timing of the sales, are part of the developer records which have not formed part of this audit. As a result we have been unable to conclude on the completeness of the revenues related to developer deposit for sold lots, and the Association fee charged.

### **Responsibilities of Those Charged with Governance for the Financial Statements**

The Board is self-managed, and 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 the Board 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, the Board 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.

### **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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on our website at: [www.cassfraser.ca/responsibilities-of-an-auditor](http://www.cassfraser.ca/responsibilities-of-an-auditor). This description forms part of our auditor's report.

Edmonton, Alberta

# Keswick on the River HOA

## DRAFT STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

	2022
	Operating Fund
Current Assets	
Cash	\$ 53,186
Association fees receivable	13,268
Prepaid expenses ( <i>note 5</i> )	10,142
Short-term investments ( <i>note 6</i> )	161,360
	\$ 237,956
Current Liabilities	
Accounts payable	\$ 13,704
Net Assets	
Operating fund	224,252
	\$ 237,956

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# Keswick on the River HOA

## DRAFT STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE OPERATING FUND

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022 Budget <i>(note 4)</i>	2022 Actual
Revenues		
Association fees <i>(note 7)</i>	\$ 198,300	\$ 217,350
Developer contribution <i>(note 8)</i>	-	165,250
Interest	-	1,439
Other	-	1,412
	198,300	385,451
Administration		
Office and miscellaneous	28,300	5,508
Professional fees	11,250	6,281
Utilities		
Power	2,500	6,138
Maintenance		
Landscaping	125,000	125,895
Other		
Insurance	7,500	1,365
Rink expenses	-	15,980
	174,550	161,167
Revenues over expenses		224,284
Operating fund balance at beginning of period (unaudited) <i>(note 10)</i>		(32)
Operating fund balance at end of period		\$ 224,252

# Keswick on the River HOA

DRAFT STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

		Operating Fund
Cash flows from operating activities		
Association fees	\$	214,950
Contribution from developer		165,250
Interest and investment income		78
Other revenues		1,413
Cash paid to suppliers		(168,505)
Net cash provided by (used in) operating activities		213,186
Cash flows from investing activities		
Net purchase of GICS		(160,000)
Increase in cash		53,186
Cash, beginning of year		-
Cash, end of year	\$	53,186
Cash and cash equivalents are comprised of:		
Cash	\$	53,186

# Keswick on the River HOA

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DRAFT NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

## 1 Purpose and Income Tax Status

Keswick on the River HOA (The "Association") is a home owners' association registered under the Societies Act of Alberta. Its function is to regulate the use of the property and to provide repairs, maintenance and other services to the common housing areas, located in Edmonton, Alberta.

The Association was handed over to the Board, from the Developer, in November 2021. No annual Association fees were charged in 2021.

The Association is a not-for-profit corporation under the Income Tax Act, and is therefore exempt from income taxes.

## 2 Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies are described below.

### (a) Fund Accounting

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

The Capital Replacement Reserve Fund reports the amounts that are set aside and used for future costs of major repairs and replacements.

### (b) Revenue Recognition and Transfers to the Reserve Fund

Association fees related to general operations are recognized as revenue of the operating fund as billed to the owners by the Association. Billings consist of an annual fee based on the annual budget approved by the Board of Directors. All expenses are recognized as incurred.

Contributions from the developer from the sale of Association lots will be recognized as revenue when received.

### (c) Contributed Services

Volunteer services contributed on behalf of the Association are not recognized in these financial statements due to the difficulty in determining their fair value.

### (d) Capital Assets

Association units and real property directly associated with those units are not considered to be capital assets of the Association.

Capital assets purchased by the Association are amortized on a straight line basis over the useful life of the assets.

# Keswick on the River HOA

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DRAFT NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

(e) Cash and Cash Equivalents on the Statement of Cash Flows

Cash and cash equivalents include bank balances and cash held. Short term money market funds are not included as these are considered to be investments.

(f) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Actual results could differ from those estimates.

### 3 Financial Instruments and Risk Management

(a) Financial Instruments

The Association initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost, except for marketable securities quoted in an active market, which are measured at fair value.

The financial assets subsequently measured at amortized cost include cash, cash investment certificates and accounts receivable. There were no financial assets subsequently measured at fair value. The financial liabilities measured at amortized cost include accounts payable.

(b) Credit Risk

The Association does not have a concentration of credit exposure with any one party. The Association does not consider that it is exposed to undue credit risk. Credit risk includes the risk that owners will fail to pay their fees.

(c) Interest Rate Risk

The investments of the Association are subject to interest rate risk because changing interest rates impact the market value of the fixed rate investments.

(d) Liquidity Risk

Liquidity risk is the risk that the Association may not be able to meet its ongoing commitments to repair, replace and maintain the common property of the Association.



# Keswick on the River HOA

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DRAFT NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

## (e) Risk Management

The Association manages its credit, liquidity and cash flow risk by restricting investments to a diverse range of government and corporate preferred shares and fixed income securities. As it is the Association's expectation to hold its investments to maturity, its cash flows are exposed to minimal interest rate and liquidity risk. The Association has the power to place caveats on titles which significantly mitigates credit risk. The Association manages liquidity risk by preparing an annual budget in consideration of the results of its reserve fund study, and may increase fees and assess special levies to ensure it has sufficient funds.

## 4 Budget Amounts

The 2022 budget amounts are presented for information purposes only. They were approved by the board of directors and are unaudited.

## 5 Prepaid Expenses

The Association hold a Mastercard with ATB. At year end the credit card was overpaid by \$5,642. This balance has been recorded as a prepaid expense at year end.

The Association have paid a deposit in the amount of \$4,500 for Pillar work to be completed. This has been included in the prepaid balance at year end.

## 6 Investments

Investments consist of two Guaranteed Investment Certificates (GICS) with maturity dates November 2023 and June 2027, and interest of 5% and 3.1% respectively.

## 7 Association Fee

The Association consists of 725 lots of which 661 were sold at year end. Of the 661 sold, 621 houses were completed and occupied. The Association annual fees are charged based on completed and occupied houses.

# Keswick on the River HOA

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DRAFT NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

## 8 Developer Contribution

A contribution from the developer, in the amount of \$165,250, was received during the year. When the developer makes a sale, the settlement includes an amount of \$250 that is allocated to the Association. The amount paid to the Association represents the \$250 from each of the 661 sales. As the unsold lots are sold, the developer will transfer the Association contribution.

At year end there are still 64 lots to be sold. This will equate to future income for the Corporation in the amount of \$16,000. This will be recorded as income in the year received from the developer.

## 9 Commitments

During the year the Association paid an amount of \$4,500 as a deposit for the pillar work to be completed. This amount forms part of the prepaid expenses. It is expected that this project will incur further costs of \$21,000 in the 2023 fiscal year.

## 10 Opening Fund Balance

The developer handover occurred in November 2021. There were no Association annual revenues charged in 2021 and the only cost was a website cost of \$32, which is reflected as the opening fund balance for the current fiscal year. This 2021 balance was unaudited.