

The Lake at Heritage Pointe Owners Association

Financial Statements

December 31, 2021

Independent Auditors' Report

To: The Members of **The Lake at Heritage Pointe Owners Association**

Opinion

We have audited the financial statements of The Lake at Heritage Pointe Owners Association (the "Association"), which comprise the statement of financial position as at December 31, 2021 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 December 31, 2021, 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 Auditors' 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.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditors' report thereon, included in the 2021 Annual Report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The 2021 Annual Report is expected to be made available to us after the date of the auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

Independent Auditors' Report (continued)

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.

Auditors' 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 auditors' 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 judgement 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 auditors' 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 auditors' 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.

Kennedy Mack Sturarchuk Stewart LLP

April 22, 2022
Calgary, Alberta

Chartered Professional Accountants

The Lake at Heritage Pointe Owners Association

Statement of Financial Position

As at December 31,	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 261,050	\$ 244,552
Accounts receivable	19,129	3,020
GST receivable	4,100	7,120
Prepaid expenses	17,687	16,981
	<u>301,966</u>	<u>271,673</u>
Restricted assets (note 4)	311,508	303,586
Capital assets (note 5)	755,216	672,089
	<u>\$ 1,368,690</u>	<u>\$ 1,247,348</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 32,062	\$ 13,004
Deferred contributions related to capital assets (note 6)	247,400	255,332
	<u>279,462</u>	<u>268,336</u>
Net assets		
Unrestricted	269,904	258,669
Internally restricted reserves (note 4)	311,508	303,586
Invested in capital assets	507,816	416,757
	<u>1,089,228</u>	<u>979,012</u>
	<u>\$ 1,368,690</u>	<u>\$ 1,247,348</u>

Approved on behalf of the Board:



Director



Secretary

The Lake at Heritage Pointe Owners Association

Statement of Operations

As at December 31,	2021	2020
Revenues		
Association fees	\$ 612,770	\$ 605,625
Association fees allocated to reserve fund	125,754	124,289
Amortization of deferred contributions	12,903	12,455
Interest and other recoveries	5,559	7,661
Facility rental	2,255	248
	<u>759,241</u>	<u>750,278</u>
Expenses		
Waste removal - garbage, recycling, organics	134,681	133,832
Landscaping and snow removal	118,956	86,347
Management consulting fees	103,700	100,848
Repairs and maintenance	98,864	66,172
Utilities and lake water top-up	47,235	29,547
Wages and benefits	43,678	46,700
Amortization of capital assets	41,484	36,180
Office, insurance and miscellaneous	33,481	28,716
Professional fees	13,080	10,993
Fish stock	10,120	9,202
Events	3,746	4,631
	<u>649,025</u>	<u>553,168</u>
Excess of revenues over expenses	<u>\$ 110,216</u>	<u>\$ 197,110</u>

See accompanying notes to the financial statements

The Lake at Heritage Pointe Owners Association

Statement of Changes in Net Assets

As at December 31,				2021	2020
	Unrestricted funds	Internally restricted reserves	Invested in capital assets	Total	Total
Balance, beginning of year	\$ 258,669	\$ 303,586	\$ 416,757	\$ 979,012	\$ 781,902
Excess of revenue over expenses	110,216	-	-	110,216	197,110
Reserve fund contributions received	(125,754)	125,754	-	-	-
Interest income	(2,034)	2,034	-	-	-
Purchase of capital assets	-	(124,611)	124,611	-	-
Contributions for capital assets received	4,971	-	(4,971)	-	-
Amortization of capital assets	41,484	-	(41,484)	-	-
Amortization of deferred contributions	(12,903)	-	12,903	-	-
Transfer of funds (note 4)	(4,745)	4,745	-	-	-
Balance, end of year	\$ 269,904	\$ 311,508	\$ 507,816	\$ 1,089,228	\$ 979,012

See accompanying notes to the financial statements

The Lake at Heritage Pointe Owners Association

Statement of Cash Flows

As at December 31,	2021	2020
Operating activities		
Excess of revenue over expenses	\$ 110,216	\$ 197,110
Add (deduct) non-cash items		
Amortization	41,484	36,180
Amortization of deferred contributions	(12,903)	(12,455)
Changes in non-cash working capital		
Accounts receivable	(16,109)	945
GST receivable	3,020	(3,038)
Prepaid expenses	(706)	1,235
Accounts payable and accrued liabilities	19,058	(18,442)
	<u>144,060</u>	<u>201,535</u>
Investing activities		
Purchase of capital assets	(124,611)	(47,372)
Deferred contributions received related to capital assets	4,971	11,759
	<u>(119,640)</u>	<u>(35,613)</u>
Increase (decrease) in cash	24,420	165,922
Cash and cash equivalents, beginning of the year	<u>548,138</u>	<u>382,216</u>
Cash and cash equivalents, end of the year	<u>\$ 572,558</u>	<u>\$ 548,138</u>
Cash and cash equivalents consist of:		
Cash	\$ 261,050	\$ 244,552
Restricted T-Bill cash savings account	11,508	102,702
Restricted GICs	300,000	200,884
	<u>\$ 572,558</u>	<u>\$ 548,138</u>

See accompanying notes to the financial statements

The Lake at Heritage Pointe Owners Association

Notes to Financial Statements

December 31, 2021

1. Nature of operations

The Lake at Heritage Pointe Owners Association (the “Association”) is a not-for-profit organization incorporated under the Societies Act of the Province of Alberta.

The Association is a not-for-profit under the Income Tax Act and as such is exempt from corporate income taxes. Association fees are collected from unit holders for payment of common expenses as outlined in the bylaws of the Association.

2. Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, specifically Canadian accounting standards for not-for-profit organizations (“ASNFP”).

3. Significant accounting policies

(a) Cash and restricted cash and cash equivalents

The Association considers all investments with maturities of three months or less or guaranteed investment certificates that are redeemable to be cash and cash equivalents.

(b) Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at estimated fair value at the date of contribution. A half year’s amortization is recorded in the year of acquisition and in the year of disposal. Amortization on capital assets is provided using the declining balance method at the following annual rates:

Buildings	4%
Park equipment	10%
Land improvements	5%
Vehicles & office equipment	20%

The Association records a write-down when a capital asset no longer contributes to the Association’s ability to provide goods and services, or that the value of future economic benefits or service potential associated with it is less than net carrying amount. The excess of the asset’s net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations for the applicable fund. Previous write-downs are not reversed.

The Lake at Heritage Pointe Owners Association

Notes to Financial Statements

December 31, 2021

3. Significant accounting policies, continued

(c) Measurement of financial instruments

The Association initially measures its financial assets and liabilities at fair value and subsequently at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable and restricted assets. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

(d) Revenue recognition

Association fees are usually due within the first quarter or when required as determined by the Association and are recognized as revenue over the period to which they relate.

The Association follows the deferral method of accounting for contributions. Restricted contributions are initially deferred and recognized as revenue in the year in which the related expenses are incurred. Deferred contributions related to capital assets are recognized as revenue at the rates the related capital assets are amortized to expenses.

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Facility rental fees are recognized when the service is provided. All other revenue is recognized on an accrual basis in the year to which it relates.

(e) Contributed materials and services

The Association records the value of contributed services when the fair value can be reasonably estimated and when the services are used in the normal course of the Association's operations and would otherwise have been purchased. Due to the difficulty of determining their fair value, volunteer services are not recognized in the financial statements.

The Lake at Heritage Pointe Owners Association

Notes to Financial Statements

December 31, 2021

4. Restricted assets and internally restricted reserves

	<u>2021</u>	<u>2020</u>
Non-redeemable GICs maturing April 2022 with an interest rate of 0.50%	\$ 100,000	\$ -
Non-redeemable GIC maturing January 2022 with an interest rate of 0.80%	100,000	100,000
Non-redeemable GIC maturing June 2022 with an interest rate of 0.50%	100,000	-
Non-redeemable GICs maturing April 2021 with an interest rate of 1.70%	-	49,717
Non-redeemable GIC maturing June 2021 with an interest rate of 1.20%	-	51,167
Restricted T-Bill cash savings account	11,508	102,702
	<u>\$ 311,508</u>	<u>\$ 303,586</u>

All restricted assets have been internally restricted by the Board of Directors for capital replacement and future maintenance and upkeep of the building and related facilities. During the year the Board of Directors approved a transfer of \$4,745 (2020 - \$10,248) to internally restricted reserves.

5. Capital assets

			<u>2021</u>	<u>2020</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
Buildings	\$ 736,941	\$ 318,931	\$ 418,010	\$ 433,240
Park equipment	255,030	87,781	167,249	114,655
Land improvements	186,499	25,919	160,580	113,302
Vehicles & office equipment	12,839	3,462	9,377	10,892
	<u>\$ 1,191,309</u>	<u>\$ 436,093</u>	<u>\$ 755,216</u>	<u>\$ 672,089</u>

The Lake at Heritage Pointe Owners Association

Notes to Financial Statements

December 31, 2021

6. Deferred contributions related to capital assets

The deferred contributions related to capital assets represents the unamortized value of contributions received for the purchase of capital assets and contributed capital assets. The deferred contributions are amortized to revenue at the rate at which the related capital assets are amortized as an expense.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 255,332	\$ 256,028
Contributions received	4,971	11,759
Amounts recognized as revenue in the year	(12,903)	(12,455)
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Balance, end of year	\$ 247,400	\$ 255,332

7. Lifecycle plan

In 2018, the Association obtained a lifecycle plan, prepared by an engineer, estimating the costs for future maintenance and upkeep of the building and related facilities until 2042. Management intends to fund these expenses through operational income and annual reserve contributions received from members.

Estimated remaining costs per the lifecycle plan, inflated at 3.0%	\$ 3,186,502
Costs incurred in current year	(124,611)
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Estimated costs to be spent in future years	\$ 3,061,891

The total costs incurred in the year related to lifecycle plan expenditures have been included in the following capital asset and expense accounts:

Building additions	\$ 2,141
Park equipment	67,431
Land improvements	54,301
Vehicles & office equipment	738
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	\$ 124,611

8. Financial instruments

The Association's use of financial instruments and its exposure to risk associated with such instruments arises out of its normal course of operations and investing activities.

The Association is not exposed to significant liquidity, interest rate or credit risks.