

Edmonton Aurora Residents Association
Financial Statements
For the year ended December 31, 2019

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Independent Auditor's Report

To the Board of Directors of
Edmonton Aurora Residents Association

Opinion

We have audited the financial statements of Edmonton Aurora Residents Association (the "Association"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and 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, 2019, 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 ("ASNPO").

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 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 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 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.

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. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



Independent Auditor's Report (continued)

- ◆ 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 auditor's 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 auditor's 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.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
August 31, 2020

Edmonton Aurora Residents Association Statement of Financial Position

December 31 2019 2018

Assets

Current			
Cash	\$	2,573	\$ 122,409
Short term investments		100,000	-
Accounts receivable		3,894	8,397
Prepaid expenses		-	3,999
		\$ 106,467	\$ 134,805

Liabilities and Net Assets

Current			
Accounts payable and accrued liabilities (Note 3)	\$	7,100	\$ 14,150
Government remittances payable		2,792	8,078
Deferred revenue		-	20,664
		9,892	42,892
Internally restricted net assets (Note 2)		96,575	91,913
		\$ 106,467	\$ 134,805

Subsequent event (Note 5)

Approved on behalf of the board:

_____, Director

_____, Director

The accompanying notes are an integral part of these financial statements.

Edmonton Aurora Residents Association Statement of Operations and Net Assets

For the year ended December 31	2019	2018
Membership fee revenue	\$ 83,492	\$ 152,246
Expenditures		
Administration fees (Note 3)	24,000	20,000
Community event costs	14,240	2,954
Interest and bank charges	1,757	2,985
Office	8,613	19,889
Professional fees	7,920	9,805
Repairs and maintenance	17,907	4,767
Utilities	8,082	4,451
	82,519	64,851
Excess of revenue over expenditures before undernoted item	973	87,395
Other income	3,689	4,518
Excess of revenue over expenditures for the year	4,662	91,913
Internally restricted net assets, beginning of year	91,913	-
Internally restricted net assets, end of year	\$ 96,575	\$ 91,913

The accompanying notes are an integral part of these financial statements.

Edmonton Aurora Residents Association Statement of Cash Flows

For the year ended December 31	2019	2018
Cash flows from operating activities		
Excess of revenue over expenditures for the year	\$ 4,662	\$ 91,913
Change in non-cash working capital items		
Accounts receivable	4,503	(8,397)
Prepaid expenses	3,999	(3,999)
Accounts payable and accrued liabilities	(7,050)	14,150
GST payable	(5,286)	8,078
Deferred revenue	(20,664)	20,664
	(19,836)	122,409
Cash flows from investing activity		
Purchase of short term investments	(100,000)	-
(Decrease) increase in cash during the year	(119,836)	122,409
Cash, beginning of year	122,409	-
Cash, end of year	\$ 2,573	\$ 122,409

The accompanying notes are an integral part of these financial statements.

Edmonton Aurora Residents Association

Notes to the Financial Statements

December 31, 2019

1. Summary of significant accounting policies

Nature of operations	The Edmonton Aurora Residents Association (the "Association") is a not-for-profit organization that owns and operates amenities for the use of its members, the residents of Aurora. The Association was incorporated as a not-for-profit organization on August 2, 2012 under the Canada Societies Act. As such, the Association is exempt from income tax under Section 149 of the Income Tax Act. As such, the Association has made no provisions for income taxes in these financial statements. The Association is managed by Melcor Developments Ltd. ("Melcor"), and is governed by a Board of Directors, constituted, appointed and elected pursuant to the By-Laws of the Association. The Association commenced operations in 2018.
Basis of accounting	These financial statements of the Association have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations ("ASNPO").
Cash	Cash consists of balances held with financial institutions.
Investments	Investments are initially recorded at fair value and subsequently accounted for at cost plus accrued interest. Short-term investments include guaranteed investment certificates that mature within 12 months from the year-end date. Short term investments bear interest at 1.8% per annum with a maturity date of January 14, 2020.
Use of estimates	The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of 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 and may have an impact on future periods. Accounts specifically affected by estimates in these financial statements are accounts receivable and accounts payable and accrued liabilities.
Revenue recognition	<p>The Association uses the deferral method of accounting for contributions. Contributions of capital assets, or for the purchase of capital assets, which are subject to amortization are deferred and amortized on the same basis as those capital assets. Contributions of capital assets, or for the purchase of capital assets, which are not subject to amortization are recorded as a direct increase to net assets.</p> <p>Membership fees are recognized as revenue in the year to which they relate. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when received if the amount can be reasonably estimated and collection is reasonably assured. Deferred revenue includes membership fees that arise from receipt of payments in advance of the period in which they would be earned.</p>

Edmonton Aurora Residents Association

Notes to the Financial Statements

December 31, 2019

1. Summary of significant accounting policies (continued)

Financial instruments

All financial instruments are initially measured at fair value and subsequently measured at amortized cost, except for equities quoted on the active market which are required to be measured at fair value, and the financial instruments which are designated at fair value.

Financial assets are tested for impairment when changes in circumstances indicate that the asset could be impaired. Transaction costs on the acquisition and sale of financial instruments are expensed for those items re-measured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

2. Internally restricted net assets

The Association has the discretion to transfer amounts to internally restricted net assets to be used for repairs or replacements in the future. During the year ended, the Association internally restricted \$4,662 (2018- \$91,913) for future use in this regard.

Edmonton Aurora Residents Association

Notes to the Financial Statements

December 31, 2019

3. Related party transactions

The Management Agreement grants Melcor control of the management of the Association and management of the community amenities until the Effective Date.

The Effective Date is defined as the later of (i) the date upon which Melcor has sold its last lands within the Aurora development, or (ii) the date upon which all amounts owing to Melcor have been repaid. Melcor may, at an earlier date and at its discretion, transfer portions of the amenities or certain aspects of management to the Association. After the Effective Date, the Association becomes independent from Melcor and will no longer receive its financial support.

Subsequent to year-end, Melcor transferred ownership of all assets and amenities to the Association, with an effective date of January 1, 2020. As of the effective date, Melcor will no longer provide financial support to the Association.

During the year, the following related party transaction occurred:

- a) Administration fees of \$24,000 (2018 - \$20,000) were paid to Melcor, of which \$nil (2018 - \$5,164) remains in accounts payable and accrued liabilities at year end.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. Financial instruments

The Association, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and interest rate risk. The risks and related management strategies are discussed below:

(a) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Association's credit risk is primarily related to its accounts receivable and cash. The accounts receivable represents annual charges not collected from members. The risk is mitigated due to the fact that the Association takes legal action on overdue accounts and places a lien on the property of the member and will collect the annual charge upon sale of the home if the member chooses not to pay the annual charge. The Association also has a growing membership which reduces the concentration of credit risk. The credit risk on cash is limited because the counterparty is a major Canadian financial institution.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial obligations, including the risk the Association will not have sufficient funds to settle a transaction on the due date. The Association is exposed to this risk in respect of its accounts payable and accrued liabilities. This risk is mitigated by the Association having support from Melcor.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises from the GIC's held by the Association. As at December 31, 2019, the Association has \$100,000 (2018- nil) in GIC's subject to fixed rates at 1.80% (2018 - nil).

Edmonton Aurora Residents Association Notes to the Financial Statements

December 31, 2019

5. Subsequent events

Subsequent to year-end, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a worldwide emergency measures to combat the spread of the virus. These measures, which include self-quarantine periods, have caused disruption to businesses globally, which are resulting in an economic slowdown. Specific impacts to the Association include a cancelled summer community event. No payments had been collected from members of the Association, nor were deposits paid for the summer event. The duration of the impact of the COVID-19 outbreak is unknown at this time.
