

JAGARE RIDGE HOMEOWNERS ASSOCIATION
Financial Statements
For the Year Ended December 31, 2021



JAGARE RIDGE HOMEOWNERS ASSOCIATION
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For the Year Ended December 31, 2021

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COLBY•STECKLY
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Jagare Ridge Homeowners Association

Opinion

We have audited the financial statements of Jagare Ridge Homeowners Association (the Association), which comprise the statement of financial position as at December 31, 2021, and the statements of revenues and expenditures, 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 the results of its operations and 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 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.

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Independent Auditor's Report to the Members of Jagare Ridge Homeowners Association (continued)

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:

- 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.

Edmonton, Alberta
March 17, 2022

COLBY STECKLY
CHARTERED PROFESSIONAL ACCOUNTANTS


JAGARE RIDGE HOMEOWNERS ASSOCIATION


Statement of Financial Position

As at December 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 32,786	\$ 76,155
Accounts receivable (Note 3)	1,560	21,675
Planter deposit	6,975	-
	<u>\$ 41,321</u>	<u>\$ 97,830</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 24,786	\$ 48,769
Goods and services tax payable	118	2,983
Prepaid membership fees	773	-
Related party note payable (Note 5)	-	20,000
	<u>25,677</u>	<u>71,752</u>
NET ASSETS	<u>15,644</u>	<u>26,078</u>
	<u>\$ 41,321</u>	<u>\$ 97,830</u>

ON BEHALF OF THE BOARD

 _____ Director

 _____ Director

See notes to financial statements

JAGARE RIDGE HOMEOWNERS ASSOCIATION
Statement of Revenues and Expenditures
For the Year Ended December 31, 2021

	2021	2020
REVENUE		
Convenience fees	\$ 957	\$ 588
Membership fees	80,829	75,781
Multifamily membership fees	21,420	21,420
	<u>103,206</u>	<u>97,789</u>
EXPENSES		
Administration/management fees	25,100	24,000
Annual planting	15,250	-
Bank charges and merchant fees	1,417	911
Office supplies	1,517	2,317
Professional fees	4,000	4,000
Repairs and maintenance	46,616	23,134
Seasonal lighting	1,508	-
Website administration	4,331	4,425
Community events	-	106
Utilities	14,193	11,678
	<u>113,932</u>	<u>70,571</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	(10,726)	27,218
OTHER INCOME		
Interest income	292	753
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (10,434)	\$ 27,971

Statement of Changes in Net Assets
For the Year Ended December 31, 2021

	2021	2020 <i>Restated</i>
NET ASSETS - BEGINNING OF YEAR	\$ 26,078	\$ (1,893)
DEFICIENCY OF REVENUE OVER EXPENSES	(10,434)	27,971
NET ASSETS - END OF YEAR	\$ 15,644	\$ 26,078

See notes to financial statements

JAGARE RIDGE HOMEOWNERS ASSOCIATION

Statement of Cash Flows

For the Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Cash receipts from members	\$ 124,094	\$ 97,015
Cash paid to vendors	(144,891)	(38,654)
Interest received	292	753
Goods and services tax	(2,864)	745
	<hr/>	<hr/>
Cash flow from (used by) operating activities	(23,369)	59,859
FINANCING ACTIVITY		
(Repayment) of note payable	(20,000)	-
	<hr/>	<hr/>
INCREASE (DECREASE) IN CASH FLOW	(43,369)	59,859
Cash - beginning of year	76,155	16,296
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CASH - END OF YEAR	\$ 32,786	\$ 76,155

See notes to financial statements

JAGARE RIDGE HOMEOWNERS ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2021

1. PURPOSE OF THE ASSOCIATION

Jagare Ridge Homeowners Association (the "Association") is a not-for-profit organization incorporated provincially under the Companies Act of Alberta. Management has determined that they are exempt from the payment of income tax under Section 149 (1) of the Income Tax Act.

The Association exists to maintain the community's features and amenities. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Cash and cash equivalents

Cash consists of balances held in the financial institution.

Use of estimates

The preparation of financial statements in accordance with ASNFO 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, accounts payable, and accrued liabilities.

Revenue recognition

Jagare Ridge Homeowners Association follows the deferral method of accounting for membership fees.

Unrestricted contributions and membership fees are recognized as revenue in the year they relate to. The amounts are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Convenience fees are recognized when they are earned which is at the time of payment of membership fees.

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.

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JAGARE RIDGE HOMEOWNERS ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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.

Financial assets are tested for impairment when changes in circumstances indicate that the asset could be impaired.

When financial instruments that include both a debt and an equity component are issued, the proceeds are allocated firstly to the component for which the fair value is more readily determinable, and the residual is allocated to the other component.

3. ACCOUNTS RECEIVABLE

	2021	2020
Melcor Developments contribution for maintenance	\$ -	\$ 19,425
Jagare Ridge communities contribution for utilities	-	1,785
Home owners association fee	906	465
	<u>\$ 906</u>	<u>\$ 21,675</u>

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, 2021.

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 customers. In order to reduce its credit risk, the Association has implemented a firm collections policy and contracts an arm's length third-party to collect on overdue accounts. Additionally, the Association places a lien on the property that is overdue to ensure collection upon sale of the home. The Association also has a growing membership which reduces the concentration of credit risk.

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 customers and other related sources, callable debt in the form of notes payable, accounts payable, and accrued liabilities

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant other price risks arising from these financial instruments.



JAGARE RIDGE HOMEOWNERS ASSOCIATION
Notes to Financial Statements
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5. RELATED PARTY NOTE PAYABLE

Under their management agreement, Melcor Developments Ltd. provides funding to Jagare Ridge Homeowners Association in order to ensure they cover the budgeted expenses. This funding comes in the form of a loan that is repayable on demand and bears interest from time to time at the annual rate equal to Prime plus three percent, using the Prime Rate as charged by the Toronto-Dominion Bank. All interest was waived in the prior year and the loan was paid in full in February of 2021.

	2021	2020
<u>Note Payable</u>		
Due to Melcor Developments Ltd.	\$ -	\$ 20,000

6. RELATED PARTY TRANSACTIONS

The Management Agreement grants Melcor and Jagare Ridge Communities Inc. (JRCI) 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:

- a) The date upon which JRCI has sold its last lands within the Jagare Ridge development, or
- b) The date upon which all amounts owing to JRCI have been repaid

JRCI 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 JRCI and will no longer receive their financial support.

The following is a summary of the association's related party transactions:

	2021	2020
Melcor Developments Ltd. <i>(Property Management Company)</i>		
Transaction details	\$ 18,000	\$ 24,000
Accounts receivable	-	19,425
	18,000	43,425

In the current year only the first three quarters are paid to Melcor the association changed to Core Management in the final quarter of the year for performance of the management function.

	\$ 18,000	\$ 43,425
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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.

7. SUBSEQUENT EVENTS

The COVID-19 Pandemic in March 2020 has affected businesses, governments, and populations around the world. It is uncertain if it might affect the future funding and the overall operations of the Association until the Pandemic ends.

On January 25, 2022 the Associations funds were transferred from the ATB Community Spirit account to an account at National Bank of Canada overseen by the organization's management company at the direction of the Board.

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8. COMPARATIVE FIGURES

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