

Peaks at Eagle Ridge

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Peaks at Eagle Ridge

SEPTEMBER 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Owners of Peaks at Eagle Ridge Condominium Corporation No. 072 8880:

We have audited the accompanying financial statements of the Peaks at Eagle Ridge Condominium Corporation No. 072 8880, which comprise the statement of financial position as at September 30, 2014, and the statements of operations and changes in fund balances for the operating fund and capital replacement reserve fund, and statement of cash flows 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 risks 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the corporation as at September 30, 2014, 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.

Other Matter

In accordance with Canadian accounting standards, the physical infrastructure of the condominium is not recorded as an asset in these financial statements. However, we recommend that the reader make a comparison of the the financial investments reported in the reserve fund with the expected future maintenance costs detailed in the reserve fund study. We also recommend that the reader consider management's reserve fund plan: the plan of the corporation to fund any required capital expenditures. The reserve fund study and reserve fund plan are required for all condominium corporations within two years of their registration, and are revised every five years thereafter.

Cass & Fraser

Edmonton, Alberta
December 22, 2014

Peaks at Eagle Ridge

STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2014

	2014			2013
	Operating Fund	Reserve Fund	Total	Total
Current Assets				
Cash	\$ 223,100	\$ 680,227	\$ 903,327	\$ 1,177,260
Receivable from owners	28,281	-	28,281	40,363
Receivable from others	-	-	-	1,129
Prepaid expenses	26,145	-	26,145	30,611
Guaranteed investment certificates <i>(note 5)</i>	-	794,307	794,307	163,234
Capital assets <i>(note 6)</i>	316,119	-	316,119	325,531
	<u>\$ 593,645</u>	<u>\$ 1,474,534</u>	<u>\$ 2,068,179</u>	<u>\$ 1,738,128</u>
Current Liabilities				
Accounts payable	\$ 135,878	\$ 56,430	\$ 192,308	\$ 166,111
Prepaid fees	36,033	-	36,033	49,070
Deferred capital contributions	316,119	-	316,119	325,531
	<u>488,030</u>	<u>56,430</u>	<u>544,460</u>	<u>540,712</u>
Net Assets				
Capital replacement reserve fund	-	1,418,104	1,418,104	1,088,197
Operating fund	105,615	-	105,615	109,219
	<u>105,615</u>	<u>1,418,104</u>	<u>1,523,719</u>	<u>1,197,416</u>
	<u>\$ 593,645</u>	<u>\$ 1,474,534</u>	<u>\$ 2,068,179</u>	<u>\$ 1,738,128</u>

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STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE OPERATING FUND

FOR THE YEAR ENDING SEPTEMBER 30, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenues			
Condominium fees	\$ 2,472,005	\$ 2,472,000	\$ 2,472,000
Amortization of deferred capital contributions	-	9,413	9,413
Interest and penalty charges	10,000	11,861	17,033
Miscellaneous income	2,000	880	5,165
Resident manager suite rental	12,000	18,600	12,600
	2,496,005	2,512,754	2,516,211
Administration			
Administration	54,500	40,875	56,897
Board expenses	5,000	1,147	1,821
Management fees	87,400	86,323	86,323
Professional fees	43,000	35,169	169,224
Property tax	2,500	1,756	1,941
Resident manager suite	9,500	9,146	10,547
Utilities			
Electricity	170,000	155,198	142,328
Natural gas	320,000	320,938	292,627
Telephone, intercom and cable	17,000	15,111	17,355
Waste removal	55,000	51,797	52,162
Water and sewer	165,000	143,461	159,503
Maintenance			
Building - general	227,905	349,009	277,074
Elevator maintenance	70,000	46,647	48,094
Landscaping and snow removal	55,000	68,726	46,558
Parkade and road maintenance	45,000	51,988	44,432
Plumbing and mechanical	220,000	202,522	210,819
Salaries and employee burden	405,000	399,358	388,316
Security and fire	49,000	47,258	67,022
Other			
Amortization of capital assets (<i>note 6</i>)	-	9,413	9,413
Insurance	88,200	77,628	85,540
Insurance appraisals	2,000	2,888	210
Insurance deductible	5,000	-	5,000
	2,096,005	2,116,358	2,173,206
Revenues over expenses	400,000	396,396	343,005
Transfer to reserve fund	\$ (400,000)	(400,000)	(382,200)
Operating fund balance at beginning of year		109,219	148,414
Operating fund balance at end of year		\$ 105,615	\$ 109,219

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STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
CAPITAL REPLACEMENT RESERVE FUND
FOR THE YEAR ENDING SEPTEMBER 30, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenues			
Interest		\$ 17,411	\$ 10,542
Expenses			
Bank charges		-	16
Curb replacements		12,835	-
Heating and ventilation		6,980	-
New water heater		13,023	-
Parkade drains		6,300	-
Parkade inspections		8,400	-
Parkade and electrical room leak repairs		4,200	-
Plumbing		1,763	-
Re-keying		34,003	-
		87,504	16
Revenues over expenses		(70,093)	10,526
Transfer from operating fund	\$ 400,000	400,000	382,200
Reserve fund balance at beginning of year		1,088,197	695,471
Reserve fund balance at end of year		\$ 1,418,104	\$ 1,088,197

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING SEPTEMBER 30, 2014

	2014			2013
	Operating Fund	Reserve Fund	Total	Total
Cash flows from operating activities				
Condominium fees	\$ 2,461,148	\$ -	\$ 2,461,148	\$ 2,522,160
Interest and investment income	1,927	11,338	13,265	8,431
Other revenues	31,146	-	31,146	4,365
Cash paid to suppliers	(2,123,418)	(31,074)	(2,154,492)	(2,163,678)
Net cash provided by (used in) operating activities	370,803	(19,736)	351,067	371,278
Cash flows from investing activities				
Net redemption (purchase) of GICs	-	(625,000)	(625,000)	156,575
Cash flows from financing activities				
Interfund transfers	(400,000)	400,000	-	-
Increase in cash	(29,197)	(244,736)	(273,933)	527,853
Cash, beginning of year	252,297	924,963	1,177,260	649,407
Cash, end of year	\$ 223,100	\$ 680,227	\$ 903,327	\$ 1,177,260
Cash and cash equivalents are comprised of:				
Cash	\$ 223,100	\$ 680,227	\$ 903,327	\$ 1,177,260

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

1 Purpose and Income Tax Status

Peaks at Eagle Ridge Condominium Corporation No. 072 8880 (the corporation) is a condominium corporation registered under the Condominium Property Act of Alberta. Its function is to regulate the use of the property and to provide repairs, maintenance and other services to the common areas of the condominium project, located in Fort McMurray, Alberta.

The corporation is a non-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 corporation follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the corporation'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. The Condominium Property Act of Alberta restricts the ending balance of the reserve fund to use on major capital repairs and replacements. Receivables of the fund may not be considered in the determination of "funds held," for purposes of the Act.

(b) Revenue Recognition

Condominium fee assessments related to general operations are recognized as revenue of the operating fund as billed to the owners by the corporation. Billings for the condominium fees consist of monthly charges based on the annual budget approved by the Board of Directors. All expenses are recognized as incurred.

Condominium fees related to the Capital Replacement Reserve Fund are recognized as revenue of the reserve fund.

Investment income is recognized as revenue of the Capital Replacement Reserve Fund.

(c) Contributed Services

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

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(d) Capital Assets

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

Assets purchased by the corporation are expensed when purchased. There were no capital assets purchased in the year.

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

(c) Price Risk

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

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SEPTEMBER 30, 2014

(d) Liquidity Risk

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

(e) Risk Management

The corporation 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 with specified ratings and terms as prescribed by the Condominium Property Act. As it is the corporation's expectation to hold its investments to maturity, its cash flows are exposed to minimal price and liquidity risk. The corporation has the power to place caveats on titles which significantly mitigates credit risk. The corporation manages liquidity risk by preparing an annual budget in consideration of the results of its reserve fund study, and may increase condominium fees and assess special levies to ensure it has sufficient funds.

4 Capital Management and the Reserve Fund

The corporation's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to pay monthly operating and administrative costs and to fund major repairs and replacements as needed. The corporation's capital is comprised of its unrestricted net assets and restricted capital replacement reserve fund.

The corporation manages its capital based on a reserve fund study, which is performed once every five years, and on an annual budget which is approved by the Board of Directors. The reserve fund study specifies the major repairs that may be required over the next 25 years and makes recommendations for funding these repairs.

To maintain or adjust the capital structure, the corporation may increase monthly condominium fees or levy special assessments.

5 Investments

Investments are comprised of five Guaranteed Investment Certificates held by Manulife Securities and ATB Financial with maturity dates from December 2014 to December 2016, and annual rates of return of 1.60% to 3.05%.

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

6 Capital Assets

Capital assets consist of the site manager suite, two parking stalls and eight storage lockers. The suite and parking stalls were contributed in 2008, and are recorded at the market value as of the date of contribution. The storage lockers were contributed in 2012, and are recorded at the city assessed tax value. Amortization is calculated on a straight-line basis over 40 years, with the first year at half the normal amount.

	2014		2013	
	Contributed Value	Accumulated Amortization	Net Book Value	Net Book Value
Manager suite and stalls	\$ 368,500	\$ 59,881	\$ 308,619	\$ 317,831
Storage lockers	8,000	500	7,500	7,700
	\$ 376,500	\$ 60,381	\$ 316,119	\$ 325,531

7 Subsequent Events

During the year, the board contracted Wade Engineering to carry out sealant specifications, tendering and field reviews for a total cost of approximately \$81,000. The board also approved Levitt to rectify sprinkler deficiencies in the parkade and in suites for a total cost of approximately \$46,000. Both jobs are to be completed in 2015.

8 Comparative Figures

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

9 Approval of Financial Statements

These financial statements have been approved by the Board of Directors.