

# Peaks at Eagle Ridge

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FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

# Peaks at Eagle Ridge

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SEPTEMBER 30, 2016

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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, 2016, 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, 2016, 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  
February 28, 2017

# Peaks at Eagle Ridge

## STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2016

	2016			2015
	Operating Fund	Reserve Fund	Total	Total
<b>Current Assets</b>				
Cash	\$ 515,342	\$ 1,628,664	\$ 2,144,006	\$ 1,577,759
Receivable from owners	147,563	-	147,563	152,471
Receivable from others	130,667	-	130,667	-
Prepaid expenses	38,004	-	38,004	25,568
Short term investments	-	203,159	203,159	648,024
	831,576	1,831,823	2,663,399	2,403,822
Capital assets ( <i>note 4</i> )	56,240	-	56,240	-
	\$ 887,816	\$ 1,831,823	\$ 2,719,639	\$ 2,403,822
<b>Current Liabilities</b>				
Accounts payable	\$ 575,447	\$ -	\$ 575,447	\$ 295,752
Prepaid fees	26,590	-	26,590	14,882
	602,037	-	602,037	310,634
<b>Net Assets</b>				
Capital replacement reserve fund	-	1,831,823	1,831,823	1,746,425
Operating fund	229,539	-	229,539	346,763
Investment in capital assets	56,240	-	56,240	-
	285,779	1,831,823	2,117,602	2,093,188
	\$ 887,816	\$ 1,831,823	\$ 2,719,639	\$ 2,403,822

# Peaks at Eagle Ridge

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

FOR THE YEAR ENDING SEPTEMBER 30, 2016

	2016 Budget	2016 Actual	2015 Actual
<b>Revenues</b>			
Condominium fees	\$ 2,301,124	\$ 2,402,630	\$ 2,706,939
Interest and penalty charges	1,200	-	5,085
Miscellaneous income	5,000	9,139	2,350
Resident manager suite rental	8,652	6,968	14,200
	2,315,976	2,418,737	2,728,574
<b>Administration</b>			
Administration	6,500	15,677	39,372
Accounting and management fees	42,000	55,573	87,196
Professional fees	72,000	54,265	9,446
Property tax	2,000	36	1,673
Resident manager suite	8,652	9,060	9,182
<b>Utilities</b>			
Electricity	175,000	108,565	182,580
Natural gas	272,500	170,494	269,406
Telephone, intercom and cable	15,000	17,546	17,030
Waste removal	55,000	68,870	52,738
Water and sewer	150,000	97,190	136,442
<b>Maintenance</b>			
Building - general	255,500	455,285	308,504
Elevator maintenance	49,000	73,391	45,795
Landscaping and snow removal	63,130	48,810	61,484
Parkade and road maintenance	20,000	24,113	43,783
Plumbing and mechanical	135,000	176,563	188,912
Salaries and employee burden	310,240	399,867	401,523
Security and fire	51,349	123,861	44,260
<b>Other</b>			
Amortization of capital assets ( <i>note 4</i> )	-	7,066	-
Insurance	93,105	96,406	88,103
Insurance deductible	15,000	-	-
	1,790,976	2,002,638	1,987,429
Revenues over expenses	525,000	416,099	741,145
Transfer to reserve fund	\$ (525,000)	(477,083)	(500,000)
Adjustments for capital assets		(56,240)	-
Operating fund balance at beginning of year		346,763	105,618
Operating fund balance at end of year		\$ 229,539	\$ 346,763

# Peaks at Eagle Ridge

STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
CAPITAL REPLACEMENT RESERVE FUND  
FOR THE YEAR ENDING SEPTEMBER 30, 2016

	2016 Budget	2016 Actual	2015 Actual
Revenues			
Interest		\$ 14,519	\$ 15,138
Expenses			
Electrical repairs		-	12,201
Elevator repairs		229,844	-
Fire and security system		-	44,814
Parkade repairs		-	17,766
Parking lot repairs		-	14,884
Professional fees for sealant project		-	48,413
Sealant repair project		176,360	48,739
		406,204	186,817
Revenues over expenses		(391,685)	(171,679)
Transfer from operating fund	\$ 525,000	477,083	500,000
Reserve fund balance at beginning of year		1,746,425	1,418,104
Reserve fund balance at end of year		\$ 1,831,823	\$ 1,746,425

# Peaks at Eagle Ridge

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDING SEPTEMBER 30, 2016

	2016			2015
	Operating Fund	Reserve Fund	Total	Total
Cash flows from operating activities				
Condominium fees	\$ 2,480,697	\$ -	\$ 2,480,697	\$ 2,561,598
Interest and investment income	-	19,020	19,020	13,495
Other revenues	9,139	-	9,139	28,974
Cash paid to suppliers	(1,852,521)	(467,144)	(2,319,665)	(2,079,636)
Net cash provided by (used in) operating activities	637,315	(448,124)	189,191	524,431
Cash flows from investing activities				
Purchase of capital assets	(63,307)	-	(63,307)	-
Net redemption (purchase) of GICs	-	440,364	440,364	150,000
Net cash provided by (used in) investing activities	(63,307)	440,364	377,057	150,000
Interfund transfers	(477,083)	477,083	-	-
Increase in cash	96,925	469,323	566,248	674,431
Cash, beginning of year	418,417	1,159,341	1,577,758	903,328
Cash, end of year	\$ 515,342	\$ 1,628,664	\$ 2,144,006	\$ 1,577,759

Cash and cash equivalents are comprised of:

Cash	\$ 515,342	\$ 1,628,664	\$ 2,144,006	\$ 1,577,759
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# Peaks at Eagle Ridge

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

## 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 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.

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

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.

Transfers to the reserve fund are made based on board approvals, to fund the cost of capital replacements and repairs.

### (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.



# Peaks at Eagle Ridge

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

(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 amortized on a straight line basis over the estimated useful life of the assets.

(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 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 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) Interest Rate Risk

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

# Peaks at Eagle Ridge

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

(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 interest rate 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 Assets

Capital assets consist of maintenance equipment, used for cleaning and maintaining the property, and fitness equipment, for owners' use in personal fitness. Amortization is calculated on a straight-line basis over 10 years, or 5 years for carpet cleaning equipment.

	2016		
	Cost	Accumulated Amortization	Net Book Value
Fitness equipment	\$ 32,927	\$ 3,293	\$ 29,634
Maintenance equipment	30,380	3,774	26,606
	\$ 63,307	\$ 7,067	\$ 56,240

5 Budget Amounts

The 2016 budget amounts are presented for information purposes only. They were approved by the board of directors and are unaudited.

# Peaks at Eagle Ridge

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

## 6 Commitments and Subsequent Events

During the year, the board contracted with Fort Mac Security Solutions to install a security system for a total cost of \$723,710. As of the year end, approximately \$50,000 of work had been completed and paid, leaving \$673,000 remaining to be done.

During the year, the board also contracted with Enmax Corporation to install a solar system on the roof to supply a percentage of the energy requirements of the condominium. The solar system will be leased over a 15 year period, with an initial payment of \$93,000 and annual payments varying from \$70,000 to 84,000. No payments had been made before year end.

In the previous year, the board contracted Triumph Caulking to carry out sealant repairs for a total cost of \$569,940. As of the year end, approximately \$225,000 of work had been completed, leaving approximately \$345,000 remaining to be done.

## 7 Comparative Figures

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

## 8 Approval of Financial Statements

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