

CONDOMINIUM CORPORATION NO. 9810287
(Operating as Chaparral Adult Village)
Financial Statements
Year Ended August 31, 2018

CONDOMINIUM CORPORATION NO. 9810287

(Operating as Chaparral Adult Village)

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Year Ended August 31, 2018

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CREMERS & ELLIOTT

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Owners of Condominium Corporation No. 9810287 (Operating as Chaparral Adult Village)

We have audited the accompanying financial statements of Condominium Corporation No. 9810287, (Operating as Chaparral Adult Village), which comprise the statements of financial position as at August 31, 2018 and August 31, 2017 and the statements of revenues and expenditures and changes in net assets and cash flows for the years ended August 31, 2018 and August 31, 2017, 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 audits. We conducted our audits 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 risk 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

(continues)

Independent Auditor's Report to the Owners of Condominium Corporation No. 9810287 *(continued)*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Condominium Corporation No. 9810287, (Operating as Chaparral Adult Village), as at August 31, 2018 and August 31, 2017 and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Calgary, Alberta
February 12, 2019

Cremers & Co. Chartered Accountants LLP

CONDOMINIUM CORPORATION NO. 9810287

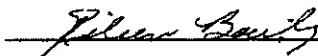
(Operating as Chaparral Adult Village)

Statement of Financial Position

August 31, 2018

| | Capital Replacement Reserve Fund | Operating Fund | Total | Total |
|---|--|----------------|------------|------------|
| | 2018 | 2018 | 2018 | 2017 |
| ASSETS | | | | |
| CURRENT | | | | |
| Cash | \$ - | \$ 20,810 | \$ 20,810 | \$ 11,667 |
| Accounts receivable | - | 521 | 521 | - |
| Insurance claim receivable | - | 18,433 | 18,433 | - |
| Total Current Assets | - | 39,764 | 39,764 | 11,667 |
| INVESTMENTS (Note 3) | 520,281 | - | 520,281 | 477,085 |
| | \$ 520,281 | \$ 39,764 | \$ 560,045 | \$ 488,752 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT | | | | |
| Accounts payable | \$ - | \$ 18,901 | \$ 18,901 | \$ 16,401 |
| Insurance claim payable | - | 23,433 | 23,433 | - |
| | - | 42,334 | 42,334 | 16,401 |
| NET ASSETS (DEFICIENCY) (Notes 2, 4) | 520,281 | (2,570) | 517,711 | 472,351 |
| | \$ 520,281 | \$ 39,764 | \$ 560,045 | \$ 488,752 |

ON BEHALF OF THE BOARD

 Director

 Director

CONDOMINIUM CORPORATION NO. 9810287
(Operating as Chaparral Adult Village)

Statement of Revenues and Expenditures and Changes in Net Assets
Year Ended August 31, 2018

| | Budget | Capital Replacement Reserve Fund | Operating Fund | Total | Total |
|---|------------|--|----------------|------------|------------|
| | 2018 | 2018 | 2018 | 2018 | 2017 |
| REVENUE | | | | | |
| Condominium fees | \$ 183,232 | \$ - | \$ 183,233 | \$ 183,233 | \$ 169,668 |
| Interest | - | 8,216 | 25 | 8,241 | 7,421 |
| Reserve contributions | (54,000) | 53,391 | (53,391) | - | - |
| EXPENSES (Schedule 1) | | | | | |
| | 129,232 | 61,607 | 129,867 | 191,474 | 177,089 |
| | 129,232 | 18,411 | 127,703 | 146,114 | 144,561 |
| NET EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | - | 43,196 | 2,164 | 45,360 | 32,528 |
| NET ASSETS (DEFICIENCY) - BEGINNING OF YEAR | - | 477,085 | (4,734) | 472,351 | 439,823 |
| NET ASSETS (DEFICIENCY) - END OF YEAR | \$ - | \$ 520,281 | \$ (2,570) | \$ 517,711 | \$ 472,351 |

CONDOMINIUM CORPORATION NO. 9810287

(Operating as Chaparral Adult Village)

Statement of Cash Flows

Year Ended August 31, 2018

| | 2018 | 2017 |
|--------------------------------------|--------------------------|--------------------------|
| FUND ACTIVITIES | | |
| Excess of revenue over expenses | \$ 45,360 | \$ 32,528 |
| Changes in non-cash working capital: | | |
| Accounts receivable | (521) | - |
| Insurance claim receivable | (18,433) | - |
| Accounts payable | 2,500 | (12,862) |
| Prepaid expenses | - | 1,972 |
| Insurance claim payable | 23,433 | - |
| | <u>6,979</u> | <u>(10,890)</u> |
| INCREASE IN CASH FLOW | 52,339 | 21,638 |
| Cash - beginning of year | <u>488,752</u> | <u>467,114</u> |
| CASH - END OF YEAR | <u>541,091</u> | <u>488,752</u> |
| CASH CONSISTS OF: | | |
| Cash | \$ 20,810 | \$ 11,667 |
| Reserve fund investments | <u>520,281</u> | <u>477,085</u> |
| | <u>\$ 541,091</u> | <u>\$ 488,752</u> |

CONDOMINIUM CORPORATION NO. 9810287

(Operating as Chaparral Adult Village)

Notes to Financial Statements

Year Ended August 31, 2018

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Condominium Corporation is a non-profit organization and the common area assets of the condominium are owned proportionately by the owners of the units and as such are not reflected as assets in these financial statements. The purpose of the Condominium Corporation is to manage the common area assets and to maintain and provide services with respect to the day to day operations of the condominium.

The financial statements include only assets, liabilities, revenues and expenses relating to the operations of Condominium Corporation No. 9810287. The statements do not include the cost of land or buildings and the outstanding principal balances owing on mortgages, which are the responsibility of the owners.

The Condominium Corporation is a tax exempt organization for income tax purposes and has therefore made no provisions for income taxes on these financial statements.

Measurement uncertainty

When preparing financial statements according to Canadian accounting standards for not-for-profit organizations, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the Condominium Corporation may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts and useful lives of capital assets.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed certificates and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than five years.

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CONDOMINIUM CORPORATION NO. 9810287

(Operating as Chaparral Adult Village)

Notes to Financial Statements

Year Ended August 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Accounting

The Condominium Corporation follows the restricted method of accounting for contributions.

The operating fund accounts for the condominium's operating and administrative activities.

The capital replacement reserve fund reports the fee assessments from unit owners that are to be set aside and used for future costs or major repairs or replacements.

Revenue Recognition

The Condominium Corporation recognizes condominium fee assessments related to general operations as revenue of the operating fund as billed to the owners. Billings for the condominium fees consist of estimates of monthly charges based on approved budgets. All expenses are recognized as they are incurred.

The condominium fees related to the Capital Replacement Reserve Fund are recognized as revenue of the Capital Replacement Reserve Fund.

Investment income earned on the Reserve Fund Investments are recognized as revenue of the Capital Replacement Reserve Fund.

Contributed Services

Volunteer services contributed on behalf of the Condominium Corporation in carrying out its operating activities are not recognized in these financial statements due to the difficulty of determining their fair value.

Financial Instruments

The Condominium Corporation's financial instruments consist of cash, investment certificates, accounts receivable, prepaid expenses, and accounts payable. Unless otherwise indicated, it is management's opinion that the Condominium Corporation is not exposed to significant interest or credit risk arising from these financial instruments. Accounts receivable and accounts payable are initially measured at fair value and subsequently measured at amortized cost. Gains and losses are recognized in the statement of operations. The fair value of cash, accounts receivable, and accounts payable approximate their carrying values due to their short term nature.

Reserve Fund Investments

The Condominium Corporation has elected to classify Guaranteed Investment Certificates held in the reserve fund as held for trading. As such, the investments are measured at fair value and any gains and losses are recognized in the statement of operations or allocated to the restricted fund as required.

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CONDOMINIUM CORPORATION NO. 9810287

(Operating as Chaparral Adult Village)

Notes to Financial Statements

Year Ended August 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Replacement Reserve Fund

The Capital Replacement Reserve Fund is a fund required under the By-laws of the Condominium Corporation to be established and maintained for the repair or replacement of any real and personal property owned by the Condominium Corporation and the common property where such repair or replacement does not occur annually. When expenditures of a capital nature or for a major repair are incurred, they are charged against the reserve. The amount to be allocated to the Reserve Fund from operations is determined by the Board of Directors of the Condominium Corporation.

Budget

The budget figures that appear on the statement of operating income are those approved by the Board of Directors and are presented for comparison purposes only. They have not been audited or reviewed but they have been reclassified to conform to the presentation in these financial statements.

3. INVESTMENTS HELD FOR THE CAPITAL REPLACEMENT RESERVE FUND ASSETS, AT FAIR VALUE

| | <u>2018</u> |
|--|-------------------|
| Manulife - Reserve cash account | \$ 178,120 |
| CIBC reserve cash | 5,590 |
| GIC @ 1.65% maturing December 14, 2018 | 70,647 |
| GIC @ 1.55% maturing December 17, 2018 | 72,829 |
| GIC @ 2.18% maturing December 16, 2019 | 36,415 |
| GIC @ 2.70% maturing December 18, 2018 | 35,912 |
| GIC @ 1.9% maturing December 16, 2019 | 89,918 |
| GIC @ 2.05% maturing December 14, 2018 | 30,850 |
| | <u>\$ 520,281</u> |

CONDOMINIUM CORPORATION NO. 9810287

(Operating as Chaparral Adult Village)

Notes to Financial Statements

Year Ended August 31, 2018

4. ADEQUACY OF THE CAPITAL REPLACEMENT RESERVE FUND

These financial statements do not purport to show the adequacy of the capital replacement reserve fund. In determining the allocation to the Capital Replacement Reserve Fund and the adequacy of the fund balance the Board of Directors exercises judgment, principally, in the following areas:

- Obtaining an inventory of common property components that will require replacement;
- Determining the state of these components and their expected remaining useful life;
- Estimating the replacement cost at the expected time of replacement; and
- Forecasting the expected rate of return on the funds investments.

An independent reserve fund study was conducted in 2013. In the opinion of the professional reserve fund planners who completed the study, the Capital Replacement Reserve Fund should have a balance as summarized below.

| | Beginning of Year | Transfers from Operations | Interest Earned | Allocated to Reserve Fund | Balance End of Year |
|------------------|----------------------|------------------------------|--------------------|------------------------------|------------------------|
| 2018 Projected | \$ 508,839 | \$ 54,000 | \$ 7,633 | \$ (130,570) | \$ 439,902 |
| 2018 Actual | \$ 477,085 | \$ 53,391 | \$ 8,216 | \$ (18,411) | \$ 520,281 |
| 2018 Over(under) | \$ (31,754) | \$ (609) | \$ 583 | \$ 112,159 | \$ 80,379 |
| 2019 Projected | \$ 439,902 | \$ 56,700 | \$ 6,599 | \$ (36,414) | \$ 466,786 |
| 2020 Projected | \$ 466,786 | \$ 59,535 | \$ 7,002 | \$ - | \$ 533,323 |
| 2021 Projected | \$ 533,323 | \$ 62,512 | \$ 8,000 | \$ - | \$ 603,834 |
| 2022 Projected | \$ 603,834 | \$ 65,637 | \$ 9,058 | \$ (272,638) | \$ 405,891 |

The full study is available to the reader and should be examined to fully comprehend the purpose, the assumptions and the conclusions of the study.

5. FINANCIAL INSTRUMENTS

The Condominium Corporation 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 Condominium Corporation's risk exposure and concentration as of August 31, 2018.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Condominium Corporation is exposed to this risk mainly in respect of its accounts payable.

Market risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Condominium Corporation is mainly exposed to interest rate risk.

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CONDOMINIUM CORPORATION NO. 9810287

(Operating as Chaparral Adult Village)

Notes to Financial Statements

Year Ended August 31, 2018

5. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Condominium Corporation manages exposure through its normal operating and financing activities. The Condominium Corporation is exposed to interest rate risk primarily through its reserve fund investments.

6. COMPARATIVE FIGURES

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

CONDOMINIUM CORPORATION NO. 9810287
 (Operating as Chaparral Adult Village)

Expenses
 (Schedule 1)

Year Ended August 31, 2018

| | Budget | Capital Replacement Reserve Fund | Operating Fund | Total | Total |
|---|------------|----------------------------------|----------------|------------|------------|
| | 2018 | 2018 | 2018 | 2018 | 2017 |
| OPERATING EXPENSES | | | | | |
| Landscaping and snow removal | \$ 50,700 | \$ - | \$ 50,160 | \$ 50,160 | \$ 46,967 |
| Insurance | 26,000 | - | 24,920 | 24,920 | 25,562 |
| Utilities | 15,785 | - | 15,234 | 15,234 | 20,796 |
| Management fees | 14,597 | - | 14,597 | 14,597 | 14,172 |
| General repairs and maintenance | 18,000 | - | 12,597 | 12,597 | 4,102 |
| Insurance deductible | - | - | 5,000 | 5,000 | - |
| Audit fees | 1,900 | - | 3,133 | 3,133 | 2,679 |
| Office | 750 | - | 2,062 | 2,062 | 580 |
| Plumbing | 1,000 | - | - | - | - |
| Road and parking | 500 | - | - | - | - |
| | 129,232 | - | 127,703 | 127,703 | 114,858 |
| CAPITAL REPLACEMENT RESERVE EXPENSES | | | | | |
| Window replacement | - | - | - | - | 3,145 |
| Water damage repairs | - | - | - | - | 7,533 |
| Tree replacement | - | - | - | - | 2,788 |
| Foundation work | - | - | - | - | 1,943 |
| Engineering | - | - | - | - | 2,100 |
| Sod | - | - | - | - | 2,788 |
| Fence | - | - | - | - | 8,453 |
| Landscaping | - | 7,149 | - | 7,149 | - |
| Irrigation | - | 725 | - | 725 | 953 |
| Deck | - | 8,831 | - | 8,831 | - |
| Overhead door | - | 1,706 | - | 1,706 | - |
| | - | 18,411 | - | 18,411 | 29,703 |
| | \$ 129,232 | \$ 18,411 | \$ 127,703 | \$ 146,114 | \$ 144,561 |