

**NORTHSTAR RESIDENTS ASSOCIATION**

**FINANCIAL STATEMENTS**

**March 31, 2018**



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## INDEPENDENT AUDITOR'S REPORT

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### To the Board of Directors of Northstar Residents Association

We have audited the accompanying financial statements of the Northstar Residents Association, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and 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 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 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 Northstar Residents Association as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*BDO Canada LLP*

Chartered Professional Accountants

Calgary, Alberta  
August 21, 2018

**NORTHSTAR RESIDENTS ASSOCIATION**  
**Statement of Financial Position**  
**As at March 31**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 577,774	\$ 506,350
Restricted cash	482,283	200,808
Accounts receivable	309,670	170,384
Prepaid expenses and deposits	<u>2,184</u>	<u>3,024</u>
	1,371,911	880,566
<b>CAPITAL ASSETS (Note 4)</b>	<u>2,520,818</u>	<u>2,606,872</u>
	<u><b>\$ 3,892,729</b></u>	<u><b>\$ 3,487,438</b></u>
 <b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 88,351	\$ 34,591
Deferred revenue	65,704	82,684
Due to Genstar (Note 2)	<u>24,613</u>	<u>28,620</u>
	178,668	145,895
 <b>DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 5)</b>	<u>1,797,818</u>	<u>1,883,872</u>
	1,976,486	2,029,767
 <b>NET ASSETS INVESTED IN CAPITAL ASSETS (Notes 3 &amp; 5)</b>	723,000	723,000
<b>INTERNALLY RESTRICTED RESERVE FUND (Note 3)</b>	430,190	200,000
<b>UNRESTRICTED NET ASSETS (Note 3)</b>	<u>763,053</u>	<u>534,671</u>
	<u><b>\$ 3,892,729</b></u>	<u><b>\$ 3,487,438</b></u>

Commitments (Note 7)

Approved on behalf of the Association:

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

**NORTHSTAR RESIDENTS ASSOCIATION**  
**Statement of Operations**  
**For the year ended March 31**

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Membership fees	\$ 1,599,081	\$ 1,554,071
Programming	68,418	86,618
Amortization of deferred contributions (Note 5)	86,054	86,054
Contribution (Note 2)	-	75,000
Facility rental	40,426	29,573
Interest and other	14,454	12,176
	<u>1,808,433</u>	<u>1,843,492</u>
<b>EXPENSES</b>		
Amortization	86,054	86,054
Bad debts	-	24
Insurance	13,102	6,488
Interest and bank charges	10,634	16,030
Management fees	216,000	216,000
Office and administration	177,075	101,771
Program	36,265	36,780
Property taxes	158	14,846
Repairs and maintenance	254,115	128,399
Salaries and wages	469,994	416,988
Security	11,351	13,911
Utilities	75,113	71,530
	<u>1,349,861</u>	<u>1,108,821</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u><u>\$ 458,572</u></u>	<u><u>\$ 734,671</u></u>

**NORTHSTAR RESIDENTS ASSOCIATION**  
**Statement of Changes in Net Assets**  
**For the year ended March 31**

	<b>Unrestricted</b>	<b>Net assets invested in capital</b>	<b>Internally restricted reserve fund</b>	<b>2018</b>	<b>2017</b>
Net assets, beginning of year	\$ 534,671	\$ 723,000	\$ 200,000	\$ 1,457,671	\$ -
Excess of revenues over expenses	515,656	-	(57,084)	458,572	734,671
Contributed assets - land	-	-	-	-	723,000
Transfer from unrestricted assets (Note 3)	(287,274)	-	287,274	-	-
Net assets, end of year	<b>\$ 763,053</b>	<b>\$ 723,000</b>	<b>\$ 430,190</b>	<b>\$ 1,916,243</b>	<b>\$ 1,457,671</b>

**NORTHSTAR RESIDENTS ASSOCIATION**  
**Statement of Cash Flows**  
**For the year ended March 31**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 458,572	\$ 734,671
Items not affecting cash:		
Amortization	86,054	86,054
Amortization of deferred contributions	(86,054)	(86,054)
Change in non-cash working capital items:		
Accounts receivable	(139,286)	(170,384)
Prepaid expenses and deposits	840	(3,024)
Accounts payable and accrued liabilities	53,760	34,591
Deferred revenue	(16,980)	82,684
Transfer to restricted cash	(281,475)	(200,808)
	<u>75,431</u>	<u>477,730</u>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITY</b>		
Advances from (repayments to) Genstar	(4,007)	28,620
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	71,424	506,350
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>506,350</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 577,774</u></u>	<u><u>\$ 506,350</u></u>

**NORTHSTAR RESIDENTS ASSOCIATION**  
**Notes to the Financial Statements**  
**March 31, 2018**

**1. SIGNIFICANT ACCOUNTING POLICIES**

a) Purpose

The Northstar Residents Association (the "Association") was incorporated as a not-for-profit corporation on December 18, 2000 under Section 9 of the Companies Act of the Province of Alberta, R.S.A. 1980. As such, the Association is exempt from income tax under the Income Tax Act. The Association owns and operates amenities for the use of its members, the residents of Panorama Hills. On January 25, 2001, a turn-over agreement was entered into with Genstar Development Company ("Genstar"). The turn-over agreement specified that on the effective date, Genstar will deliver to the Association; land titles to the private parcels, a bill of sale for all the chattels owned by Genstar and used in the operation of the private parcels and reserves, and a transfer of all the encumbrances for each property in the community. The effective date of the turn-over agreement was April 1, 2016.

The operations of the Association are governed by Northstar Residents Association Management Agreement (the "Agreement") effective as of April 1, 2016, between the Association and FirstService Residential. The Management Agreement had a termination date of March 31, 2018.

b) Basis of accounting

The financial statements of the Association have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

c) Revenue recognition

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.

Membership, program, and facility rental 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, such as grants and donations not designated for a specific purpose, are recognized as revenue when received, or if the amount can be reasonably estimated and collection is reasonably assured.

Interest and other revenue is recorded on an accrual basis.

Deferred revenue, such as deferred program and rental fees, arise from receipt of payments in advance of the period in which they are earned.

d) Use of estimates

In accordance with ASNPO, estimates and assumptions are made by management in the preparation of these financial statements. These estimates may impact the amounts included in the financial statements. The most significant of these estimates are related to amortization and the estimated useful life of the capital assets and accrued liabilities. Actual results could differ from these estimates.

**NORTHSTAR RESIDENTS ASSOCIATION**  
**Notes to the Financial Statements**  
**March 31, 2018**

**1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

e) Capital assets

Capital assets contributed to the Association are recorded at fair value on the date of contribution.

Amortization is based on estimated useful life calculated on a straight line basis as follows:

Building	40 years
Amenities	25 years
Equipment	5 years
Computer equipment	5 years

Land is not subject to amortization.

f) Cash and restricted cash

Cash consists of balances with financial institutions and cash on hand. Restricted cash consists of balances held at financial institutions that have been restricted by management for use in future maintenance of amenities.

g) Impairment of long-lived assets

Capital assets are tested annually for impairment where impairment indicators are present. This would occur if an item no longer contributes to the Association's ability to provide services. Any excess of the item's carrying value, with no long-term service potential, over its residual value is recognized as an expense in the year.

h) Financial instruments

The Association's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. All financial instruments are initially measured at fair value and subsequently measured at amortized cost.

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.



**NORTHSTAR RESIDENTS ASSOCIATION**  
**Notes to the Financial Statements**  
**March 31, 2018**

**2. DUE TO GENSTAR**

The Association was incorporated on December 18, 2000, but did not carry on any active business until April 1, 2016, which was the turn-over date from the developer of the community, Genstar. The Association and Genstar entered into a turn-over agreement (the "agreement") which specified that at the effective date, which was April 1, 2016, Genstar would transfer title to the parcel of land on which the community building is located and also to the seventeen entrance parcels and six linear park parcels within the Panorama Hills community. As part of the agreement, the Association received a bill of sale to transfer the capital assets into its ownership. The net result of transactions incurred on turn-over is an amount payable of \$24,613 (2017 - \$28,620) due to Genstar.

**3. NET ASSETS**

The Association may budget and set aside any of the accumulated excess of revenues over expenses to create a reserve fund for the purpose of replacing future assets, maintaining the property and meeting contingencies. Currently, the Association has unrestricted net assets of \$763,053 (2017 - \$534,671), net assets invested in capital of \$723,000 (2017 - \$723,000), and an internally restricted reserve fund of \$430,190 (2017 - \$200,000).

During the current period, a portion of the Association's assets were segregated into a restricted reserve fund which is consistent with the Life Cycle Study ("the Study") that was conducted on September 19, 2017. The purpose of the study was to determine the estimated service potential of the building and its amenities and amounts of future funding that would be needed to maintain the service potential of the building and its amenities. The Study determined that funding to a reserve fund for future maintenance of the building should amount to \$300,000 per annum for fiscal 2018, then be reduced to \$144,000 per annum beginning in fiscal 2019. Beginning April 1, 2019, the Association will transfer from unrestricted net assets the amount of \$144,000 each year until another study is completed at which time the Association will adjust the amount it is contributing to the reserve. Any repairs or capital replacement incurred in the period that are outlays associated with those outlined within the Study will be deducted from the reserve fund. During the year, management determined that \$57,084 (2017 - \$nil) of expenses were related to the reserve study. The Association has also internally restricted its assets invested in capital assets.

**4. CAPITAL ASSETS**

			2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value		
Building	\$ 1,119,606	\$ 55,980	\$ 1,063,626	\$ 1,091,616		
Amenities	700,000	56,000	644,000	672,000		
Equipment	140,420	56,168	84,252	112,336		
Computer equipment	9,900	3,960	5,940	7,920		
	1,969,926	172,108	1,797,818	1,883,872		
Land	723,000	-	723,000	\$ 723,000		
	<u>\$ 2,692,926</u>	<u>\$ 172,108</u>	<u>\$ 2,520,818</u>	<u>\$ 2,606,872</u>		

**5. DEFERRED CONTRIBUTIONS**

Deferred contributions relate to capital assets contributed to the Association by Genstar (Note 2).

Contributions amount to \$1,969,926 (2017 - \$1,969,926) less accumulated amortization of \$172,108 (2017 - \$86,054). The land contributed by Genstar is not subject to amortization and has therefore been recorded as a direct increase to net assets.

**NORTHSTAR RESIDENTS ASSOCIATION**  
**Notes to the Financial Statements**  
**March 31, 2018**

**6. RELATED PARTY TRANSACTIONS**

During the year, the Association paid a \$216,000 (2017 - \$216,000) management fee to FirstService Residential for services carried out in accordance with the Management Agreement. The Management Agreement had a termination date of March 31, 2018.

**7. COMMITMENTS**

The Association has commitments for software and support services and landscaping maintenance requiring minimum annual payments over the next three years as follows:

2019	\$	111,544
2020		110,524
2021		31,824
	\$	<u>253,892</u>

**8. FINANCIAL INSTRUMENTS**

The Association, through its financial assets and liabilities, has exposure to the following risks from its use of financial

a) Credit risk

The Association is exposed to credit risk through its cash and accounts receivable.

The Association's credit risk is primarily attributable to its accounts receivable. 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 credit risk on cash is limited because the counterparty is a major Canadian financial institution.

b) Liquidity risk

Liquidity risk is the risk that the Association would encounter difficulty in meeting obligations with financial liabilities.

Liquidity risk includes the risk that the Association will not have sufficient funds to settle a transaction on the due date. Liquidity risk arises from accounts payable and accrued liabilities. This risk is mitigated as the Board reviews financials monthly and ensures that they will have sufficient funds to meet all obligations.

**9. RECLASSIFICATION OF PRIOR YEAR BALANCES**

Certain comparative figures have been reclassified to confirm with the current year's presentation. This reclassification has no effect on the prior year excess of revenues over expenses.