

**NORTHSTAR RESIDENTS ASSOCIATION**

**FINANCIAL STATEMENTS**

**March 31, 2017**



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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, 2017, 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, 2017 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  
October 16, 2017

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

	<u>2017</u>
<b>CURRENT ASSETS</b>	
Cash	\$ 506,350
Restricted cash (Note 3)	200,808
Accounts receivable	170,384
Prepaid expenses and deposits	<u>3,024</u>
	880,566
<b>CAPITAL ASSETS (Note 4)</b>	<u>2,606,872</u>
	<u><b>\$ 3,487,438</b></u>
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 34,591
Deferred revenue	82,684
Due to Genstar (Note 2)	<u>28,620</u>
	145,895
<b>DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 5)</b>	<u>1,883,872</u>
	2,029,767
<b>NET ASSETS INVESTED IN CAPITAL ASSETS (Notes 3 &amp; 5)</b>	723,000
<b>INTERNALLY RESTRICTED RESERVE FUND (Note 3)</b>	200,000
<b>UNRESTRICTED NET ASSETS (Note 3)</b>	<u>534,671</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>2017</u>
<b>REVENUES</b>	
Membership fees	\$ 1,554,071
Programming	86,618
Amortization of deferred contributions (Note 5)	86,054
Contribution (Note 2)	75,000
Facility rental	29,573
Interest and other	12,176
	<u>1,843,492</u>
<b>EXPENSES</b>	
Amortization	86,054
Bad debts	24
Insurance	6,488
Interest and bank charges	16,030
Management fees	216,000
Office and administration	101,771
Program	36,780
Property taxes	14,846
Repairs and maintenance	128,399
Salaries and wages	416,988
Security	13,911
Utilities	71,530
	<u>1,108,821</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u><u>\$ 734,671</u></u>

*The accompanying notes are an integral part of these financial statements.*

**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>2017</b>
Net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Excess of revenues over expenses	734,671	-	-	734,671
Contributed assets - land	-	723,000	-	723,000
Transfer from unrestricted assets	(200,000)	-	200,000	-
Net assets, end of year	<u>\$ 534,671</u>	<u>\$ 723,000</u>	<u>\$ 200,000</u>	<u>\$ 1,457,671</u>

*The accompanying notes are an integral part of these financial statements.*

**NORTHSTAR RESIDENTS ASSOCIATION**

**Statement of Cash Flows**

**For the year ended March 31**

	<u>2017</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>	
Cash received from membership fees	\$ 1,411,892
Cash received from facility rental	31,729
Cash received from programming	118,300
Cash received from contribution	75,000
Cash received from interest and other	12,176
Cash spent on operations	<u>(1,142,747)</u>
	<u>506,350</u>
<b>NET CHANGE IN CASH</b>	506,350
<b>CASH, BEGINNING OF YEAR</b>	<u>-</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 506,350</u></u>

Non-cash transaction (Note 5)

## **NORTHSTAR RESIDENTS ASSOCIATION**

### **Notes to the Financial Statements**

**March 31, 2017**

#### **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 is April 1, 2016. As at March 31, 2016 the Association had not carried out any active business, therefore had no revenues, expenses, assets, liabilities, nor bank account.

The operations of the Association are governed by Northstar Residents Association Management Agreement (the "Agreement") dated March 14, 2016, but effective as of April 1, 2016, between the Association and FirstService Residential.

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"). These are the Association's first financial statements prepared in accordance with ASNPO, which has been adopted since incorporation.

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, 2017**

**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

Tangible 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 period.

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, 2017**

**2. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS**

Effective April 1, 2016, the Association adopted the requirements of Canadian accounting standards for not-for-profit organization (ASNPO) or Part III of the requirements of the Chartered Professional Accountants of Canada Handbook. These are the Association's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended March 31, 2017. As this is the Association's first year of operations, there is no impact to the opening balances on adoption of ASNPO.

The Association was incorporated on December 18, 2000, but has not carried on any active business until April 1, 2016, which is the turn-over date from the developer of the community Genstar. The Association and the developer entered into a turn-over agreement (the "agreement") which specified that at the effective date, which is 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 turn-over agreement, the Association received a bill of sale to transfer the capital assets into its ownership.

As at March 31, 2016, Genstar had generated net assets in the amount of \$615,342 resulting from previous operations, which Genstar was entitled to. Upon turnover, the Association paid \$480,395 as part of the return of the existing net assets; received \$75,000 of seed money; received \$31,091 of program fees which Genstar had previously collected for programs that had not occurred prior to the turn-over date, and paid a liability of \$236 relating to operations of Genstar. The remaining balance of net assets generated prior to the turn-over date of \$28,620 has been accrued as an amount payable 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 \$534,671, net assets invested in capital of \$723,000, and an internally restricted reserve fund of \$200,000.

**NORTHSTAR RESIDENTS ASSOCIATION**  
**Notes to the Financial Statements**  
**March 31, 2017**

**4. CAPITAL ASSETS**

	2017		
	Cost	Accumulated amortization	Net book value
Building	\$ 1,119,606	\$ 27,990	\$ 1,091,616
Amenities	700,000	28,000	672,000
Equipment	140,420	28,084	112,336
Computer equipment	9,900	1,980	7,920
	<u>1,969,926</u>	<u>86,054</u>	<u>1,883,872</u>
Land	723,000	-	723,000
	<u>\$ 2,692,926</u>	<u>\$ 86,054</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 less accumulated amortization of \$86,054. The land contributed by Genstar is not subject to amortization and has therefore been recorded as a direct increase to net assets.

**6. RELATED PARTY TRANSACTIONS**

The Agreement grants FirstService Residential to exclusively manage the amenities and to collect annual fees payable for a period of one year from April 1, 2016 to March 31, 2017 and annually thereafter, unless either party elects to terminate this Agreement.

During the year, the Association paid a \$216,000 management fee to FirstService Residential for services carried out in accordance with the Agreement.

**7. COMMITMENTS**

The Association has a commitment for software and support services requiring a minimum annual payment of \$28,600 for the 2018 fiscal year.

The Association has a commitment for landscaping maintenance requiring a minimum annual payment of \$74,462 for the 2018 fiscal year.

**NORTHSTAR RESIDENTS ASSOCIATION**

**Notes to the Financial Statements**

**March 31, 2017**

**8. FINANCIAL INSTRUMENTS**

The Association, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. The Association manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The risks and related management strategies are discussed below:

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.