

**ALLARD HOMEOWNERS ASSOCIATION**  
**Financial Statements**  
**Year Ended December 31, 2022**

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**INDEPENDENT AUDITOR'S REPORT**

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To the Members of Allard Homeowners Association

*Opinion*

We have audited the financial statements of Allard Homeowners Association (the Association), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2022, 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 (ASNPO).

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Matter*

The financial statements for the year ended December 31, 2021 were prepared by another practitioner and are unaudited.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

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\*Operates through Cheng S. Lim Professional Corporation.

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*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Lim & Associates*

Edmonton , AB  
July 31, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS

**ALLARD HOMEOWNERS ASSOCIATION**

**Statement of Operations**

**Year Ended December 31, 2022**

	Budget <i>(Note 8)</i>	Operating Fund	Reserve Fund	2022	2021
<b>REVENUES</b>					
Member fees	\$ 242,123	\$ 274,050	\$ -	\$ 274,050	\$ 79,505
Developer contributions	-	-	-	-	14,031
Interest income	-	1,856	-	1,856	-
Recoveries and sundry income	-	3,291	-	3,291	-
	<u>242,123</u>	<u>279,197</u>	<u>-</u>	<u>279,197</u>	<u>93,536</u>
<b>EXPENSES</b>					
<b>ADMINISTRATION</b>					
Administrative expenses	10,400	8,842	-	8,842	2,510
Bank charges	-	5,370	-	5,370	438
Insurance	-	3,444	-	3,444	-
Land title search fees	2,000	1,690	-	1,690	3,260
Professional fees	15,000	33,795	-	33,795	1,481
Office supplies	17,000	11,788	-	11,788	1,286
Software subscription	7,290	11,995	-	11,995	10,240
Website	5,360	2,465	-	2,465	203
	<u>57,050</u>	<u>79,389</u>	<u>-</u>	<u>79,389</u>	<u>19,418</u>
<b>MAINTENANCE</b>					
Landscaping fees	100,000	74,170	-	74,170	13,900
Snow removal	39,000	42,792	-	42,792	6,500
	<u>139,000</u>	<u>116,962</u>	<u>-</u>	<u>116,962</u>	<u>20,400</u>
	<u>196,050</u>	<u>196,351</u>	<u>-</u>	<u>196,351</u>	<u>39,818</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 46,073</u>	<u>\$ 82,846</u>	<u>\$ -</u>	<u>\$ 82,846</u>	<u>\$ 53,718</u>

**ALLARD HOMEOWNERS ASSOCIATION**

**Statement of Changes in Fund Balances**

**Year Ended December 31, 2022**

	Operating Fund	Reserve Fund	2022	2021
<b>FUND BALANCES - BEGINNING OF YEAR</b>				
As previously reported	\$ 337,222	\$ -	\$ 337,222	\$ 209,024
Prior period adjustments <i>(Note 5)</i>	-	-	-	74,480
As restated	337,222	-	337,222	283,504
Excess of revenues over expenses	82,846	-	82,846	53,718
<b>FUND BALANCES - END OF YEAR</b>				
	\$ 420,068	\$ -	\$ 420,068	\$ 337,222

**ALLARD HOMEOWNERS ASSOCIATION**

**Statement of Financial Position**

**December 31, 2022**

	Operating Fund	Reserve Fund	2022	2021
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash	\$ 330,970	\$ -	\$ 330,970	\$ 318,134
Short-term investment (Note 3)	5,314	-	5,314	-
Accounts receivable (Notes 4, 5)	121,490	-	121,490	46,329
	<u>\$ 457,774</u>	<u>\$ -</u>	<u>\$ 457,774</u>	<u>\$ 364,463</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>CURRENT</b>				
Accounts payable	\$ 31,772	\$ -	\$ 31,772	\$ 20,725
Goods and services tax payable (Note 5)	5,934	-	5,934	6,516
	37,706	-	37,706	27,241
<b>FUND BALANCES</b>	<u>420,068</u>	<u>-</u>	<u>420,068</u>	<u>337,222</u>
	<u>\$ 457,774</u>	<u>\$ -</u>	<u>\$ 457,774</u>	<u>\$ 364,463</u>

LEGAL CLAIMS (Note 6)

COMMITMENT (Note 7)

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ *President*

\_\_\_\_\_ *Treasurer*

**ALLARD HOMEOWNERS ASSOCIATION**

**Statement of Cash Flows**

**Year Ended December 31, 2022**

	Operating Fund	Reserve Fund	2022	2021
<b>OPERATING ACTIVITIES</b>				
Excess of revenues over expenses	\$ 82,846	\$ -	\$ 82,846	\$ 53,718
Item not affecting cash:				
Accrued interest	(314)	-	(314)	-
	<u>82,532</u>	<u>-</u>	<u>82,532</u>	<u>53,718</u>
Changes in non-cash working capital:				
Accounts receivable	(75,161)	-	(75,161)	(45,856)
Accounts payable	11,047	-	11,047	20,723
Goods and services tax payable	(582)	-	(582)	6,366
	<u>(64,696)</u>	<u>-</u>	<u>(64,696)</u>	<u>(18,767)</u>
Cash flow from operating activities	<u>17,836</u>	<u>-</u>	<u>17,836</u>	<u>34,951</u>
<b>INVESTING ACTIVITY</b>				
Net redemption (purchase) of GICs	(5,000)	-	(5,000)	-
<b>FINANCING ACTIVITY</b>				
Prior period adjustments (Note 5)	-	-	-	74,480
<b>INCREASE IN CASH FLOW</b>	<u>12,836</u>	<u>-</u>	<u>12,836</u>	<u>109,431</u>
Cash - beginning of year	<u>318,134</u>	<u>-</u>	<u>318,134</u>	<u>208,703</u>
<b>CASH - END OF YEAR</b>	<u>\$ 330,970</u>	<u>\$ -</u>	<u>\$ 330,970</u>	<u>\$ 318,134</u>

# ALLARD HOMEOWNERS ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2022

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### 1. PURPOSE OF THE ASSOCIATION

Allard Homeowners Association (the "Association") is a homeowner's association incorporated on May 11, 2020 under the Societies Act of Alberta. Its function is to provide the opportunity to enhance and augment the level of maintenance within the Allard community. An encumbrance has been registered on the land title of each property, ensuring that all property owners are obligated to the Association and allowing for the collection of fees from lots registered under the encumbrance.

The Association is a non-for-profit corporation under the Income Tax Act, and is therefore exempt from income taxes.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

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

#### Fund accounting

Allard Homeowners Association follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Association's operating and administrative activities. This fund reports the assets, liabilities, revenues, and expenses related to the member fees collected annually from homeowners and other unrestricted revenue resources.

The Reserved Fund reports the amounts that are set side and used for future costs of major repairs and replacements. This fund reports the assets, liabilities, revenues and expenses related to funds restricted in their use in accordance with the Societies Act and with Societies Bylaws.

#### Cash

Cash consists of cash on hand and bank balances, net of cheques issued and outstanding at the reporting date.

#### Short-term investment

Short-term investment consists of a guaranteed investment certificate with maturity date for less than one year.

#### Capital assets

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

#### Revenue recognition

Allard Homeowners Association follows the deferral method of accounting for contributions.

Member fees are recognized as revenue of the operating fund as billed to the owners by the Association. Billings consist of annual charges based on the annual budget approved by the Board of Directors. All expenses are recognized as incurred.

Investment income is recognized as revenue when earned in their respective fund to which the investments are recorded.

Recoveries and sundry income is recognized as revenue of the operating fund as billed to the owners by the Association and collection is reasonably assured.

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# ALLARD HOMEOWNERS ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2022

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

#### Contributed services

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

#### Financial instruments policy

##### Measurement

The Association initially measures its financial assets and liabilities at fair value. The Association subsequently measures all its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

Financial assets and liabilities subsequently measured at amortized cost include cash, short-term investment, accounts receivable and accounts payable. There were no financial assets and liabilities subsequently measured at fair value.

##### Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

#### Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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### 3. SHORT-TERM INVESTMENT

Short-term investment consists of a non-redeemable guaranteed investment certificate held by ATB Financial with the principal of \$5,000, interest rate of 0.75% per annum and maturity date of March 01, 2023.

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### 4. ACCOUNTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 121,490	\$ 46,329
Less: allowance for doubtful accounts	-	-
	<u>\$ 121,490</u>	<u>\$ 46,329</u>

*(continues)*

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**ALLARD HOMEOWNERS ASSOCIATION**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

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4. ACCOUNTS RECEIVABLE *(continued)*

2022 2021

An allowance for doubtful accounts has been established to address the uncertainty associated with outstanding accounts receivable. The Board of Directors believes that there are no significant indications of potential non-payment or uncertainty regarding the outstanding accounts receivable. This belief is supported by the fact that payment of annual fees is secured by an encumbrance registered on the land title of each property. Additionally, a legal representative has been hired for the collection of outstanding fees.

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5. PRIOR YEAR ADJUSTMENTS

In prior years, accounts receivable for member fees, member fees and GST collected from member fees were not appropriately recognized, despite the presence of an encumbrance registered on the land title of each property to secure fee collections. As a result, a restatement of prior year's accounts receivable, GST payable and fund balances has been undertaken to ensure accurate financial reporting.

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6. LEGAL CLAIMS

During the year, the legal representative of the Association has filed nine separate statement of claims against any parties that did not pay their 2021 homeowners' association fees. As of June 12, 2023, no further steps have been taken in regard to these claims. The total amount of unpaid fees being claimed across all nine of the claims is \$38,317 plus interest accrued and legal fees.

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7. COMMITMENT

The Association contracted with Cougar Creek Landscaping & Maintenance Ltd. for landscaping services at a flat monthly fee of \$13,500 plus GST. The contract will end on September 22, 2024.

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8. BUDGET

The 2022 budget amounts are unaudited and presented for the information purposes only. They were approved by the Board of Directors on July 1, 2022.

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9. FINANCIAL INSTRUMENTS

The Association 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 Association's risk exposure and concentration as of December 31, 2022.

**(a) Credit risk**

Credit risk arises from the potential that members will fail to pay their fees. In order to reduce its credit risk, the Association conducts regular reviews of its existing members' credit performance and has the authority to place caveats on land titles. The Association has a significant number of members which minimizes concentration of credit risk.

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**ALLARD HOMEOWNERS ASSOCIATION**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

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9. FINANCIAL INSTRUMENTS *(continued)*

***(b) Liquidity risk***

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from the members and its ongoing commitments to repair and maintain the common property. The Association manages liquidity risk by preparing an annual budget in consideration of future operations and may increase fees to ensure it has sufficient funds.

***(c) 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 corporation manages exposure through its normal operating activities. The Association is exposed to interest rate risk primarily through its floating interest bearing assets. The Association minimizes the risk by investing in a guaranteed investment certificate bearing interest of 0.75% per annum. The guaranteed investment certificate is in place with a major financial institution.

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10. COMPARATIVE FIGURES

The prior year comparative figures were compiled by another firm of Chartered Professional Accountants. Certain comparative figures have been reclassified to conform to the current year's presentation.

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