Larch Homeowners Association
Financial Statements
For the year ended December 31, 2018

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Independent Auditor's Report

To the Board of Directors of
Larch Homeowners Association

Opinion
We have audited the financial statements of Larch Homeowners Association (the "Association"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations 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 entity as at December 31, 2018, and its results of operations and its 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 entity in accordance with the 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.

Emphasis of Matter
We draw attention to Note 2 to the financial statements, which describes that the Association adopted Canadian accounting standards for not-for-profit organizations on January 1, 2018 with a transition date of January 1, 2017. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2017 and January 1, 2017, and the statements of income, retained earnings and cash flows for the year ended December 31, 2017, and related disclosures. Our opinion is not modified in respect of this matter.

We were not engaged to report on the comparative information, and as such, it is unaudited and unreviewed.

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 entity'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 entity or to cease operations, or has no realistic alternative but to do so.

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

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Independent Auditor's Report (continued)

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.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
March 25, 2019

Larch Homeowners Association
Statement of Financial Position

		December 31, 2018		December 31, 2017		January 1, 2017
Assets						
Current						
Cash	$	99,120	$	-	$	-
Accounts receivable (Note 5)		-		114,400		-
Prepaid expenses		1,106		-		-
		100,226		114,400		-
Capital assets (Note 3)		1,668,906		-		-
	$	1,769,132	$	114,400	$	-
Liabilities and Net Assets						
Current						
Accounts payable and accrued liabilities	$	17,363	$	-	$	-
GST payable		3,767		-		-
		21,130		-		-
Deferred capital contributions (Note 4)		1,668,906		-		-
		1,690,036		-		-
Unrestricted net assets		79,096		114,400		-
	$	1,769,132	$	114,400	$	-

Approved on behalf of the board:

____________________________, Director   ____________________________, Director

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

Larch Homeowners Association
Statement of Operations

For the year ended		December 31, 2018		December 31, 2017
Revenue				
Membership fees	$	62,497	$	-
Builder fees		2,896		114,400
Amortization of deferred capital contributions (Note 4)		59,050		-
		124,443		114,400
Expenditures				
Amortization		59,050		-
Community events		1,962		-
Interest and bank charges		8,147		-
General and administrative (Note 5)		10,402		-
Professional fees		25,400		-
Repairs and maintenance		55,310		-
		160,271		-
Excess (deficiency) of revenue over expenditures before undernoted item		(35,828)		114,400
Other income		524		-
Excess (deficiency) of revenue over expenditures for the year		(35,304)		114,400
Unrestricted net assets, beginning of year		114,400		-
Unrestricted net assets, end of year	$	79,096	$	114,400

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

Larch Homeowners Association
Statement of Cash Flows

For the year ended	December 31, 2018	December 31, 2017
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures for the year	**$ (35,304)**	$ 114,400
Adjustments for non-cash items		
Amortization	**59,050**	-
Amortization of deferred capital contributions	**(59,050)**	-
	(35,304)	114,400
Change in non-cash working capital items		
Accounts receivable	**114,400**	(114,400)
Prepaid expenses	**(1,106)**	-
Accounts payable and accrued liabilities	**17,363**	-
GST payable	**3,767**	-
Increase in cash during the year	**99,120**	-
Cash, beginning of year	**-**	-
Cash, end of year	**$ 99,120**	$ -

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

1. Summary of significant accounting policies

Nature of operations

Larch Homeowners Association (the "Association") is a society incorporated under the Societies Act of Alberta on November 8, 2010. Operations of the Association commenced in 2018.

The purpose of the Association is to hold leases, easements and other rights in, to and over portions of the Subdivided Lots within the Larch Park Subdivision. Income taxes have not been recorded because the Association is a society and is exempt from income tax under Section 149(1)(l) of the Income Tax Act.

Basis of accounting

These 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 Associations first financial statements in accordance with ASNPO (Note 2).

Cash

Cash consists of balances held with financial institutions.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of 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 and may have an impact on future periods. Accounts specifically affected by estimates in these financial statements are accounts receivable, accounts payable and accrued liabilities, capital assets and deferred capital contributions.

Capital assets

Capital assets purchased by the Association are recorded at cost. Capital assets contributed to the Association are recorded at fair value on the date of contribution and amortized on a straight-line basis based on the remaining estimated useful life at the date of the purchase or contribution.

Asset	**Rate**
Entrance feature	50 years
Fencing	20 to 25 years
Masonry	50 years
Planting	10 years
Signage	25 years

1. Summary of significant accounting policies (continued)

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

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 fees and builder fees are recognized as revenue in the year to which they related. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when received if the amount can be reasonably estimated and collection is reasonably assured.

Financial instruments

A financial asset or liability is recognized when the Association becomes party to the contractual provisions of the financial instrument. All financial instruments are initially measured at fair value and subsequently at cost or 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 statement of financial position date and charged to the financial instrument for those measured at amortized cost.

2. First-time adoption

Effective January 1, 2018, the Association adopted the requirements of the accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the CPA Canada Handbook – Accounting. These are the Association’s first financial statements prepared in accordance with this framework. First-time adoption of this basis of accounting had no impact on the Association’s excess of revenues over expenses for the year ended December 31, 2017 or on net assets as at January 1, 2017, the date of transition.

3. Capital assets

	December 31, 2018 Cost	December 31, 2018 Accumulated Amortization	December 31, 2017 Cost	December 31, 2017 Accumulated Amortization
Entrance feature	**$ 246,486**	**$ 5,372**	$ -	$ -
Fences	**388,515**	**19,016**	-	-
Landscaping	**17,709**	**805**	-	-
Masonry	**948,757**	**20,159**	-	-
Planting	**126,489**	**13,698**	-	-
	1,727,956	**59,050**	-	-
Net book value		**$ 1,668,906**		$ -

4. Deferred capital contributions

Deferred contributions relate to capital assets contributed to the Association by Melcor Developments Ltd. The balance consists of $1,727,956 less accumulated amortization of $59,050.

5. Related party transactions

The Association was under the control of the community developer, Melcor Developments Ltd ("Melcor") until the date of turnover, which was October 1, 2018. During the year, the following transactions occurred with Melcor:

a) Melcor remitted builder fees of $114,400 to the Association, which had previously been collected by Melcor on behalf of the Association;

b) Administrative fees of $18,900 were paid to Melcor.

All transactions with Melcor are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

6. Financial instruments

The Association, through its financial instruments, is exposed to the following risks:

(a) Credit risk
Credit risk arises from cash held with the banks and financial institutions, as well as credit risk is equal to the carrying value of the financial assets.

The Association is exposed to concentration of credit risk, as a majority of their cash is held in one institution.

(b) Liquidity risk
Liquidity risk is the risk the Association could encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements the Association will not have sufficient funds to settle a transaction by the due date; will be forced to sell financial assets at the value which is less than what they are worth; or may be unable to settle or recover a financial asset at all. Liquidity risk arises from accounts payable and accrued liabilities and GST payable.