

**JAGARE RIDGE HOMEOWNERS ASSOCIATION**  
**Financial Statements**  
**For the Year Ended December 31, 2020**

JAGARE RIDGE HOMEOWNERS ASSOCIATION  
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For the Year Ended December 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Jagare Ridge Homeowners Association

### *Opinion*

We have audited the financial statements of Jagare Ridge Homeowners Association (the Association), which comprise the statement of financial position as at December 31, 2020, and the statements of revenues and expenditures, changes in net assets 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, 2020, 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.

### *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.

### *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.

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Independent Auditor's Report to the Members of Jagare Ridge Homeowners Association *(continued)*

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.

Edmonton, Alberta  
June 16, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS

**JAGARE RIDGE HOMEOWNERS ASSOCIATION**  
**Statement of Financial Position**  
**As at December 31, 2020**

	2020	2019 <i>Restated</i>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 76,155	\$ 16,296
Accounts receivable (Note 3)	<u>21,675</u>	<u>37,211</u>
	<b>\$ 97,830</b>	<b>\$ 53,507</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 48,770	\$ 16,853
Goods and services tax payable	2,983	2,238
Deferred income	-	16,310
Note Payable (Note 5)	<u>20,000</u>	<u>20,000</u>
	71,753	55,401
<b>NET ASSETS</b>	<u>26,077</u>	<u>(1,894)</u>
	<b>\$ 97,830</b>	<b>\$ 53,507</b>

ON BEHALF OF THE BOARD

*Paul Goye* Director

*Ismael Oklund* Director

See notes to financial statements

**JAGARE RIDGE HOMEOWNERS ASSOCIATION**  
**Statement of Revenues and Expenditures**  
**For the Year Ended December 31, 2020**

	2020	2019 <i>Restated</i>
<b>REVENUE</b>		
Membership Fees	\$ 97,201	\$ 92,376
Convenience Fees	588	506
	<u>97,789</u>	<u>92,882</u>
<b>EXPENSES</b>		
Administration fees	24,000	24,000
Interest and bank charges	911	708
Office supplies	6,742	7,043
Professional fees	4,000	4,920
Repairs and maintenance	23,134	18,157
Supplies	106	25
Utilities	11,678	4,497
	<u>70,571</u>	<u>59,350</u>
<b>EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	27,218	33,532
<b>OTHER INCOME</b>		
Interest income	753	445
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 27,971</u>	<u>\$ 33,977</u>

**Statement of Changes in Net Assets**  
**For the Year Ended December 31, 2020**

	2020	2019 <i>Restated</i>
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ (1,894)	\$ (35,871)
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>27,971</u>	<u>33,977</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 26,077</u>	<u>\$ (1,894)</u>

See notes to financial statements

**JAGARE RIDGE HOMEOWNERS ASSOCIATION**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Cash receipts from members	\$ 97,015	\$ 66,591
Cash paid to vendors	(38,654)	(59,965)
Interest received	753	445
Goods and services tax	745	(270)
Cash flow from (used by) operating activities	<u>59,859</u>	<u>6,801</u>
<b>FINANCING ACTIVITY</b>		
Advance (repayment) of note payable	<u>-</u>	<u>(30,000)</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>59,859</b>	<b>(23,199)</b>
Cash - beginning of year	<u>16,296</u>	<u>39,495</u>
<b>CASH - END OF YEAR</b>	<b>\$ 76,155</b>	<b>\$ 16,296</b>

See notes to financial statements

**JAGARE RIDGE HOMEOWNERS ASSOCIATION**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2020**

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**1. PURPOSE OF THE ASSOCIATION**

Jagare Ridge Homeowners Association (the "Association") is a not-for-profit organization incorporated provincially under the Companies Act of Alberta. Management has determined that they are exempt from the payment of income tax under Section 149 (1) of the Income Tax Act.

The Association exists to maintain the communities features and amenities. The Association is managed by Melcor Developments Ltd. ("Melcor"), and is governed by a Board of Directors, constituted, appointed and elected pursuant to the By-Laws of the Association. The Association commenced operations in 2018.

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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 (ASNFO).

Cash and cash equivalents

Cash consists of balance held in the financial institution.

Use of estimates

The preparation of financial statements in accordance with ASNFO 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.

Revenue recognition

Jagare Ridge Homeowners Association follows the deferral method of accounting for membership fees.

Unrestricted contributions and membership fees are recognized as revenue in the year they relate to. The amounts are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty

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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# JAGARE RIDGE HOMEOWNERS ASSOCIATION

## Notes to Financial Statements

For the Year Ended December 31, 2020

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

#### Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets are tested for impairment when changes in circumstances indicate that the asset could be impaired.

When financial instruments that include both a debt and an equity component are issued, the proceeds are allocated firstly to the component for which the fair value is more readily determinable, and the residual is allocated to the other component.

### 3. ACCOUNTS RECEIVABLE

	2020	2019
Melcor Developments contribution for maintenance	\$ 19,425	\$ -
Jagare Ridge communities contribution for utilities	2,250	-
Home owners association fee	-	37,211
	<u>\$ 21,675</u>	<u>\$ 37,211</u>

### 4. 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, 2020.

#### Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from customers. In order to reduce its credit risk, the Association has implemented a firm collections policy and contracts an arm's length third-party to collect on overdue accounts. Additionally, the Association places a lien on the property that is overdue to ensure collection upon sale of the home. The Association also has a growing membership which reduces the concentration of credit risk.

#### 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 its customers and other related sources, callable debt in the form of notes payable, accounts payable, and accrued liabilities

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant other price risks arising from these financial instruments.

**JAGARE RIDGE HOMEOWNERS ASSOCIATION**

**Notes to Financial Statements**

**For the Year Ended December 31, 2020**

**5. RELATED PARTY NOTE PAYABLE**

Under their management agreement, Melcor Developments Ltd. provides funding to Jagare Ridge Homeowners Association in order to ensure they cover the budgeted expenses. This funding comes in the form of a loan that is repayable on demand and bears interest from time to time at the annual rate equal to Prime plus three percent, using the Prime Rate as charged by the Toronto-Dominion Bank. All interest was waived in the current and prior year.

	<u>2020</u>	<u>2019</u>
<u>Note Payable</u>		
Due to Melcor Developments Ltd.	\$ 20,000	\$ 20,000

**6. RELATED PARTY TRANSACTIONS**

The Management Agreement grants Melcor and Jagare Ridge Communities Inc. (JRCI) control of the management of the Association and management of the community amenities until the Effective Date.

The Effective Date is defined as the later of:

- a) The date upon which JRCI has sold its last lands within the Jagare Ridge development, or
- b) The date upon which all amounts owing to JRCI have been repaid

JRCI may, at an earlier date and at its discretion, transfer portions of the amenities or certain aspects of management to the Association. After the Effective Date, the Association becomes independent from Melcor and JRCI and will no longer receive their financial support.

The following is a summary of the association's related party transactions:

	<u>2020</u>	<u>2019</u>
Melcor Developments Ltd. <i>(Property Management Company)</i>		
Administration fees	\$ 24,000	\$ 24,000
Accounts receivable	19,425	-
	<u>43,425</u>	<u>24,000</u>
	<u>\$ 43,425</u>	<u>\$ 24,000</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**7. SUBSEQUENT EVENTS**

The COVID-19 Pandemic in March 2020 has affected businesses, governments, and populations around the world. It is uncertain if it might affect the future funding and the overall operations of the Association till the Pandemic ends.

On February 02, 2021, the loan payable to Melcor Developments Ltd. was paid in full.

**JAGARE RIDGE HOMEOWNERS ASSOCIATION**

**Notes to Financial Statements**

**For the Year Ended December 31, 2020**

**8. RESTATEMENT**

During the course of preparation of 2020 financial statements, management discovered that the Carrington Land Multifamily site was incorrectly set up as a single lot and incorrectly billed for 2018 and 2019. The effect of the required adjustments to the 2019 financial statements are as follows:

	2019 Originally reported	Change	2019 Restated
<b>Statement of Financial Position</b>			
Accounts Receivable	\$ 4,101	\$ 32,393	\$ 36,494
GST Payable	(661)	(860)	(1,521)
Unrestricted Net deficiency	33,427	(31,533)	1,894
	-	-	-
<b>Statement of Operations</b>			
Membership Fee Revenue	(60,842)	(17,200)	(78,042)
Excess of revenue over expenses	2,444	17,200	19,644
	\$ (21,531)	\$ -	\$ (21,531)