

KINCORA
RESIDENTS ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2011

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RESIDENTS ASSOCIATION
DECEMBER 31, 2011

CONTENTS

	Page
▶ Independent Auditor's Report	3
▶ Statement Of Financial Position	5
▶ Statement Of Operations And Operating Fund Surplus	6
▶ Statement Of Cash Flows	7
▶ Notes To Financial Statements	8-12

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INDEPENDENT AUDITOR'S REPORT

To The Members:

KINCORA

RESIDENTS ASSOCIATION

We have audited the accompanying financial statements of **Kincora Residents Association**, which comprise the statement of financial position as at **December 31, 2011** and the statements of operations and operating fund surplus, 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 a Not-For-Profit Organization, 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 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 judgement, 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.

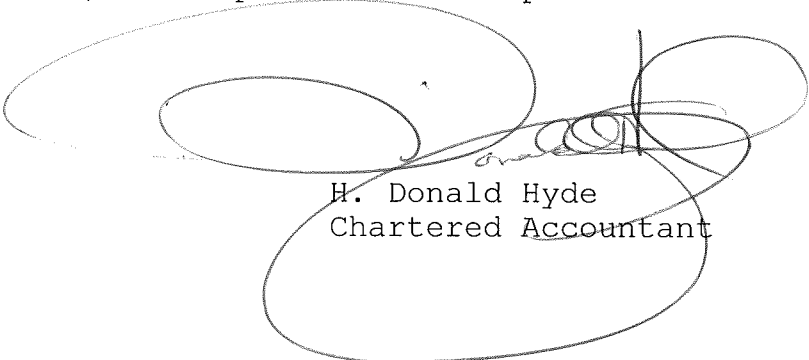
Opinion:

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Kincora Residents Association** as at **December 31, 2011** and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for a Not-For-Profit Organization.

Other Matters:

The financial statements for the year ending December 31, 2010 were audited by other auditors, who expressed their opinion without reservation.

Calgary, Alberta
June 14, 2012



H. Donald Hyde
Chartered Accountant

KINCORA
RESIDENTS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
<u>ASSETS</u>		
Current		
Cash	77,271	584,058
Investments (Note 3)	599,248	-
Interest Receivable	6,959	-
Fees Receivable	28,476	75,860
Prepaid Expenses	<u>-</u>	<u>3,099</u>
	<u>711,954</u>	<u>663,017</u>
<u>LIABILITIES</u>		
Current		
Accounts Payable And		
Accrued Liabilities	3,951	51,260
Prepaid Fees	<u>2,790</u>	<u>-</u>
	<u>6,741</u>	<u>51,260</u>
NET ASSETS	<u>705,213</u>	<u>611,757</u>
<u>NET ASSETS REPRESENTED BY</u>		
Operating Fund Surplus	<u>705,213</u>	<u>611,757</u>

APPROVED BY THE BOARD OF DIRECTORS:

KINCORA
RESIDENTS ASSOCIATION
STATEMENT OF OPERATIONS AND OPERATING FUND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> <u>Budget</u> \$	<u>2011</u> <u>Actual</u> \$	<u>2010</u> <u>Actual</u> \$
REVENUE			
Residents Association Charges	263,800	258,366	240,368
Cell Tower Rental Income	11,500	11,500	11,500
Interest And Other Income	<u>15,000</u>	<u>17,687</u>	<u>47,045</u>
	<u>290,300</u>	<u>287,553</u>	<u>298,913</u>
EXPENSES			
Administrative			
Insurance	3,150	3,099	2,962
Audit	-	2,940	6,922
Legal And Caveat Fees	10,471	9,384	22,434
Management Fees	37,170	36,828	36,000
Property Taxes	1,575	1,491	1,680
Office and Other	<u>13,650</u>	<u>11,385</u>	<u>6,970</u>
	<u>66,016</u>	<u>65,127</u>	<u>76,968</u>
Operating And Maintenance			
Landscaping and Snow Removal	152,965	123,516	150,276
Exterior Maintenance	12,000	2,044	-
Utilities	<u>3,675</u>	<u>3,410</u>	<u>6,498</u>
	<u>168,640</u>	<u>128,970</u>	<u>156,774</u>
Total Expenses	<u>234,656</u>	<u>194,097</u>	<u>233,742</u>
EXCESS OF REVENUE OVER EXPENSES	<u>55,644</u>	93,456	65,171
OPERATING FUND SURPLUS,			
beginning of year		<u>611,757</u>	<u>546,586</u>
OPERATING FUND SURPLUS, end of year		<u>705,213</u>	<u>611,757</u>

KINCORA
RESIDENTS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> \$	<u>2010</u> \$
CASH PROVIDED BY (USED IN) :		
Operating Fund		
Excess Of Revenue Over Expenses	93,456	65,171
Changes In Non-Cash Working Capital Items		
Accounts Receivable	40,425	(34,773)
Accounts Payable and Prepaid Fees	(44,519)	41,222
Prepaid Expenses	<u>3,099</u>	<u>(137)</u>
 NET CASH INCREASE DURING THE YEAR	 92,461	 415,454
 CASH, beginning of year	 <u>584,058</u>	 <u>512,575</u>
 CASH, end of year	 <u><u>676,519</u></u>	 <u><u>584,058</u></u>

Cash consists of:

Cash	77,271	584,058
Investments	<u>599,248</u>	<u>—</u>
	<u><u>676,519</u></u>	<u><u>584,058</u></u>

**KINCORA
RESIDENTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. INCORPORATION

Kinora Residents Association (the "Association") is an entity incorporated under the Companies Act of the Province of Alberta. The Association was formed for the purpose of holding title to The Private Kincora Amenities and for operating and maintaining the aforementioned for its members.

The Association is composed of members who are property owners or family members of the owners and residents in the Kincora subdivision. The members have access to and use of the facilities or services provided by the Association.

Each member of the Association is required to pay an annual rent charge (the "Annual Charge") as set forth in an encumbrance, which is registered against the title to the lands of each member. The encumbrance provided that the Annual Charge shall be adjusted to reflect the change in the Consumer Price Index for the City of Calgary. The Annual Charge was \$200 plus Goods and services Tax for single-family units and \$100 plus Goods and Services Tax for multi-family units.

The fees collected by the Association are restricted for the use in the operations and maintenance of commons lands and amenities. The Association is exempt from income taxes under Section 149 of the Income Tax Act.

The financial statements include only the assets, liabilities, revenues and expenses related to the operations of the Association.

2. SIGNIFICANT ACCOUNTING POLICIES

The Association has elected to apply the Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Accounting Handbook for Not-For-Profit Organizations.

Revenue Recognition

Revenue is recognized when fees are assessed to the members annually. The Association has an encumbrance on each lot in the community which secures the collection of any unpaid fees when a Property is sold.

KINCORA
RESIDENTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. CONTINUED

Donated Services

The work of the Officers and members of the Board of Directors is provided on a voluntary basis. The value of donated services is not recognized in these financial statements.

Financial Instruments

Measurement of the financials instruments

The Association initially values its financial assets and liabilities at fair value.

The Association subsequently values all its financial assets and financial liabilities at amortized cost, and changes in values are recognized in net income.

Financial assets valued at amortized cost include cash, term deposits, accounts receivable.

Financial liabilities valued at amortized cost include the accounts payable and accrued liabilities and prepaid fees.

Impairment

Financials assets valued 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 revised to the extend 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.

KINCORA
RESIDENTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. CONTINUED

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The valuation of accounts receivable and accrued liabilities constitutes the most significant items subject to estimates in these financial statements. Actual results could differ from these estimates.

3. INVESTMENTS

Investments consist of the following guaranteed investment certificates:

	<u>\$</u>
-1.81% Vancity Guaranteed Investments, maturing January 12, 2012	200,000
-1.85% Home Trust Guaranteed Investment, Maturing September 23, 2013	100,000
-1.50% People Trust Guaranteed Investments, maturing September 27, 2012	99,248
-1.81% Equitable Trust Guaranteed Investments, maturing January 14, 2013	100,000
-1.81% Scotia Mortgage Guaranteed Investments, maturing September 23, 2013	<u>100,000</u>
	<u>599,248</u>

**KINCORA
RESIDENTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

4. FINANCIAL INSTRUMENTS

The Association's financial instruments are cash, investments, accounts receivable, and accounts payable and accrued liabilities.

- A) Credit risk-Accounts receivable are due from the members and various individuals and are subject to low credit risk.
- B) Interest rate risk-The cash and investments bear interest at variable market rates. A change in interest would not have a significant effect on cash flow.
- C) Liquidity risk is the risk that the Association will not be able to meet its cash requirements as they come due or be able to liquidate its assets in timely manner at reasonable prices.

Liquidity risk is managed by the preparation of annual budgets, raising fees sufficient to pay its annual expenses and to make the required reserve fund contributions on a timely basis, though the use of daily interest bank accounts, earning a return while maintaining liquidity.

5. CAPITAL DISCLOSURES

The Association's objective when managing capital is to safeguard its ability to continue as a going concern with sufficient capital to pay monthly operating costs as they come due as well as to fund major repairs from time to time.

The Association prepares an annual budget of operating costs and repairs with expected funding sources. This budget is approved by the Board of Directors.

In order to maintain or adjust the capital structure, the Association may increase monthly assessments or may assess the members special levies.

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RESIDENTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

6. COMMITMENTS

Management

The Association has engaged the services of a professional property manager to provide management and accounting services at a monthly fee of \$3,161.07 plus GST for a term ending December 31, 2012.

7. BUDGET

Budget figures are provided for comparison purposes only and are unaudited.

8. COMPARATIVE FIGURES

Certain prior years figures have been reclassified to conform with the current year presentation.