

**SOMERSET RESIDENTS ASSOCIATION LTD.**

**Financial Statements**

**Year Ended June 30, 2020**

**SOMERSET RESIDENTS ASSOCIATION LTD.**

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**Year Ended June 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Somerset Residents Association Ltd.

### *Opinion*

We have audited the financial statements of Somerset Residents Association Ltd. (the Association), which comprise the statement of financial position as at June 30, 2020, and the statements of operations, 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 June 30, 2020, 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.

### *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 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.

### *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 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating 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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*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.

Calgary, Alberta  
September 24, 2020

  
LOCKHART LLP  
Chartered Professional Accountants

**SOMERSET RESIDENTS ASSOCIATION LTD.**

**Statement of Financial Position**

**June 30, 2020**

	<b>2020</b>	2019
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 220,856	\$ 218,049
Short term investments (Note 2)	98,877	106,332
Accounts receivable	14,400	19,693
Interest receivable (Note 2)	2,510	1,621
Prepaid expenses	2,235	2,853
	<b>338,878</b>	348,548
LONG TERM INVESTMENTS (Note 2)	37,903	29,320
CAPITAL ASSETS (Note 3)	62,243	68,974
	<b>\$ 439,024</b>	<b>\$ 446,842</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 5,030	\$ 5,339
Goods and services tax payable	2,171	3,658
Deferred income	67,136	50,442
	<b>74,337</b>	59,439
DEFERRED CONTRIBUTIONS AND DONATIONS	6,848	7,861
	<b>81,185</b>	67,300
<b>NET ASSETS</b>		
General fund	226,444	242,429
Restricted fund	76,000	76,000
Investment in capital assets	55,395	61,113
	<b>357,839</b>	379,542
	<b>\$ 439,024</b>	<b>\$ 446,842</b>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_  
*Director*

\_\_\_\_\_  
*Director*

**SOMERSET RESIDENTS ASSOCIATION LTD.****Statement of Operations  
Year Ended June 30, 2020**

	<b>2020</b>	<b>2019</b>
<b>REVENUES</b>		
Administration fees	\$ 4,508	\$ 1,620
Casino revenue	70,684	-
City of Calgary revenue	-	14,400
Donations	1,014	1,236
Interest income	4,824	6,248
Maintenance fees	161,910	161,910
	<u>242,940</u>	<u>185,414</u>
<b>EXPENSES</b>		
Amortization	6,732	8,265
Casino expenses	2,351	-
Delivery, freight and express	3,812	4,103
Insurance	5,944	6,403
Interest and bank charges	2,960	2,424
Office	3,142	2,279
Professional fees	7,654	2,327
Repairs and maintenance	163,912	4,011
Sub-contracts	57,539	108,176
Telephone	2,978	2,090
Utilities	7,619	8,378
	<u>264,643</u>	<u>148,456</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>\$ (21,703)</u>	<u>\$ 36,958</u>

**SOMERSET RESIDENTS ASSOCIATION LTD.**

**Statement of Changes in Net Assets**

**Year Ended June 30, 2020**

	General Fund	Restricted Fund	Investment in capital assets	<b>2020</b>	2019
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 242,429	\$ 76,000	\$ 61,113	\$ <b>379,542</b>	\$ 342,584
Deficiency of revenues over expenses	(14,971)	-	(6,732)	<b>(21,703)</b>	36,958
Deferred revenue recognized	(1,014)	-	1,014	-	-
<b>NET ASSETS - END OF YEAR</b>	\$ 226,444	\$ 76,000	\$ 55,395	\$ <b>357,839</b>	\$ 379,542

**SOMERSET RESIDENTS ASSOCIATION LTD.****Statement of Cash Flows****Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ (21,703)	\$ 36,958
Items not affecting cash:		
Amortization	6,732	8,266
Deferred revenue recognized	<u>(1,014)</u>	<u>(1,236)</u>
	<u>(15,985)</u>	43,988
Changes in non-cash working capital:		
Accounts receivable	5,293	(710)
Interest receivable	(889)	159
Prepaid expenses	618	(597)
Accounts payable	(309)	(238)
Goods and services tax payable	(1,487)	(335)
Deferred income	<u>16,694</u>	<u>11,869</u>
	<u>19,920</u>	10,148
Cash flow from operating activities	<u>3,935</u>	54,136
<b>INVESTING ACTIVITIES</b>		
Long term investments	(8,583)	28,564
Short term investments	<u>7,455</u>	<u>(30,722)</u>
Cash flow used by investing activities	<u>(1,128)</u>	(2,158)
<b>INCREASE IN CASH FLOW</b>	<b>2,807</b>	51,978
Cash - beginning of year	<u>218,049</u>	166,071
<b>CASH - END OF YEAR</b>	<b>\$ 220,856</b>	<b>\$ 218,049</b>



**SOMERSET RESIDENTS ASSOCIATION LTD.**

**Notes to Financial Statements**

**Year Ended June 30, 2020**

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PURPOSE OF THE ASSOCIATION

Somerset Residents Association Ltd (the Association) was incorporated in Alberta on March 14, 1994 to own, maintain and operate community parks. The parks were operated by the developer of the community until June 30, 2003 at which time stewardship of the land, and ownership of the buildings and equipment was transferred to the Association for \$1. The majority of the Association's funds are derived from the collection of fees from the residents of the community. The continued operations of the Association is dependent on the ongoing financial support from the residents.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Cash and short term investments

Short-term debt securities purchased with maturity of three months or less to are classified as cash equivalents.

Investments

Short term investments, which consist primarily of Guaranteed Investment Certificates (GIC) with original maturities at date of purchase beyond three months and less than twelve months, are carried at amortized cost.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets contributed have been recorded at fair value at contribution date. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Buildings	4%	declining balance method
Computer software	100%	declining balance method
Office equipment	20%	declining balance method
Playground	20%	declining balance method
Waterpark equipment	20%	declining balance method
Sculpture		non-amortizable

The Association regularly reviews its capital assets to eliminate obsolete items. Grants and restricted donations are treated as liabilities and amortized over the useful life of the related asset.

Sculpture

The sculpture has been recorded at cost and will be held on an ongoing basis by the Association. No amortization is recorded on the sculpture as it has an enduring value.

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**SOMERSET RESIDENTS ASSOCIATION LTD.**

**Notes to Financial Statements**

**Year Ended June 30, 2020**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net assets

- Net assets invested in capital assets represents the Association's net investment in capital assets which is comprised of the unamortized amount of capital assets purchased with restricted funds.
- Internally restricted net assets are funds which have been designated for a specific purpose by the Association's Board of Directors.
- Unrestricted net assets comprise the excess of revenue over expenses accumulated by the Association each year, not of transfers, and are available for general purposes.

Restricted Assets

\$76,000 of the investments are restricted as a reserve for asset replacement.

Financial instruments policy

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 including accounts receivable, interest receivable, and accounts payable 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 measured at amortized cost include cash, accounts receivable and investments.

Financial liabilities measured at amortized cost include accounts payable.

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, not exceeding the carrying value. The amount of the reversal is recognized in net income.

The Association recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Revenue Recognition

The deferral method of accounting is used for contributions. Deferred contributions represent funds received in the current period that are related to the subsequent period. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Interest revenue is recorded as it is earned. Other revenue is recorded when earned and receivable.

Contributed services

The operations of the Association depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

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**SOMERSET RESIDENTS ASSOCIATION LTD.**

**Notes to Financial Statements**

**Year Ended June 30, 2020**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. Accounts that could be affected include accounts receivable, interest receivable, prepaid expenses, investments, accounts payable, amortization of capital assets and deferred income.

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2. INVESTMENTS

	<u>2020</u>	<u>2019</u>
GIC purchased 26 November 2017, maturing 26 November 2019, 1.00% compounded interest	\$ -	\$ 8,414
GIC purchased 26 November 2019, maturing 26 November 2021 1.50% compounded interest	8,583	-
GIC purchased 24 March 2020, maturing 24 March 2021, 0.80% compounded interest	12,242	-
GIC purchased 16 December 2019, maturing 16 December 2020, 1.35% compounded interest	47,572	-
GIC purchased 16 December 2018, maturing 16 December 2019, 1.65% compounded interest	-	46,800
GIC purchased 24 March 2019, maturing 24 March 2020, 1.55% compounded interest	-	12,055
GIC purchased 30 June 2019, maturing 30 June 2024, 1.80% compounded interest	18,913	18,913
GIC purchased 30 June, 2017, maturing 30 June 2022, 1.25% compounded interest	10,407	10,407
GIC purchased 7 May, 2018, maturing 7 May 2020, 1.70% compounded interest	39,063	39,063
	<u>138,800</u>	<u>137,671</u>
Less: Investments maturing within one year	98,877	106,332
	<u>\$ 37,903</u>	<u>\$ 29,320</u>

At year end, the Association has \$2,510 (2019 - \$1,621) in interest earned which will be received when the investments mature.

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**SOMERSET RESIDENTS ASSOCIATION LTD.**

**Notes to Financial Statements**

**Year Ended June 30, 2020**

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3. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Buildings	\$ 25,313	\$ 8,133	\$ 17,180	\$ 17,895
Computer software	900	900	-	-
Office equipment	3,714	3,482	232	290
Playground	38,152	30,951	7,201	9,001
Waterpark equipment	109,527	92,897	16,630	20,788
Sculpture	21,000	-	21,000	21,000
	<u>\$ 198,606</u>	<u>\$ 136,363</u>	<u>\$ 62,243</u>	<u>\$ 68,974</u>

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4. INCOME TAX

No provision is made for income tax as the Association is a non-profit organization and is exempt from Canadian income tax.

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5. 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 June 30, 2020.

**(a) 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 and accounts payable.

**(b) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Association is mainly exposed to interest rate risk through its investments. Management has determined that it is not exposed to currency risk.

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

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6. WATERPARK STRUCTURE

On February 14, 2020 the Association entered into a new agreement with The City of Calgary (the City) for replacement of the waterpark. The Association will pay the city \$1,650,000 which will include construction as well as annual maintenance and utilities of the new waterpark facility controlled and owned by the City. The Association paid \$150,000 to the City in March 2020 and will continue to pay \$100,000 per year starting on the first quarter of 2021 up to the first quarter of 2035.

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**SOMERSET RESIDENTS ASSOCIATION LTD.**

**Notes to Financial Statements**

**Year Ended June 30, 2020**

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7. COVID-19 PANDEMIC

The COVID-19 pandemic has adversely impacted both local and global economies. Although management does not expect the Association to be affected, the full impact of the COVID-19 pandemic remains unclear at this time. Accordingly, it is impossible to reliably estimate the duration and severity, and the quantitative effect on the Association's financial position and operations.

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