

Jensen Lakes Homeowners Association

FINANCIAL STATEMENTS

DECEMBER 31, 2024

Jensen Lakes Homeowners Association

DECEMBER 31, 2024

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INDEPENDENT AUDITORS' REPORT

To the Owners of Jensen Lakes Homeowners Association:

Qualified Opinion

We have audited the accompanying financial statements of the Jensen Lakes Homeowners Association, which comprise the statement of financial position as at December 31, 2024, and the statements of operations and changes in fund balances, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the matters noted in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2024, 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.

Basis for Qualified Opinion

We have been unable to conclude on the completeness and accuracy of the GST payable balance as there are ongoing reviews with the CRA which may impact this amount. We have been unable to obtain all the documentation required to verify the comparative balances, and are therefore unable to form an opinion on the opening retained earnings for the current fiscal year.

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 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 qualified opinion.

Other Matter

The 2023 financial statements of the Association were audited by another firm who expressed an unmodified opinion on August 6, 2024.

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 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.

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.



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- 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
November 27, 2025

Cass & Fraser

Cass & Fraser Chartered Accountants

Jensen Lakes Homeowners Association

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2024

| | <u>2024</u> | <u>2023</u> |
|-------------------------------|------------------|-------------------------------|
| | Total | Total Restated (note 6) |
| Current Assets | | |
| Cash | \$ 58,230 | \$ 82,663 |
| Association fees receivable | 1,050 | 9,071 |
| Accounts receivable -other | 5,139 | - |
| Prepaid insurance | 6,970 | - |
| Short-term investments | 2,179 | 2,000 |
| | <u>\$ 73,568</u> | <u>\$ 93,734</u> |
| Current Liabilities | | |
| Accounts payable | \$ 14,387 | \$ 22,839 |
| Unearned association fees | 114,955 | 75,825 |
| GST payable | 11,057 | 4,842 |
| Payable to developer (note 5) | 106,256 | 60,000 |
| | <u>246,655</u> | <u>163,506</u> |
| Net Assets | | |
| Operating fund | (173,087) | (69,772) |
| | <u>(173,087)</u> | <u>(69,772)</u> |
| | <u>\$ 73,568</u> | <u>\$ 93,734</u> |

Jensen Lakes Homeowners Association

STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE OPERATING FUND

FOR THE YEAR ENDED DECEMBER 31, 2024

| | 2024 Budget <i>(note 4)</i> | 2024 Actual | 2023 Actual Restated <i>(note 6)</i> |
|---|-----------------------------------|----------------|---|
| <hr/> | | | |
| Revenues | | | |
| Association fees | \$ 282,375 | \$ 277,660 | \$ 217,643 |
| Developer contributions | - | 40,000 | 72,431 |
| Other | - | 6,787 | 7,010 |
| | <hr/> | <hr/> | <hr/> |
| | 282,375 | 324,447 | 297,084 |
| <hr/> | | | |
| Administration | | | |
| Administration | 22,643 | 38,279 | 33,252 |
| Bank charges | 120 | 25 | 89 |
| Management fees | 42,000 | 36,000 | 36,000 |
| Professional fees | 4,000 | 3,000 | 4,000 |
| Utilities | | | |
| Heat | 3,500 | 1,691 | 2,327 |
| Phone | 2,400 | 1,462 | 2,079 |
| Power | 7,245 | 6,530 | 7,394 |
| Waste management | 1,800 | 1,281 | 1,544 |
| Water and sewer | 48,600 | 88,004 | 73,985 |
| Maintenance | | | |
| Equipment and furniture | - | 1,335 | 9,767 |
| General maintenance | 21,577 | 16,012 | 38,309 |
| Lake and hockey rink | 7,000 | 9,906 | 13,508 |
| Landscaping and snow removal | 6,050 | 32,791 | 2,645 |
| Other | | | |
| Insurance and appraisal | 7,550 | 7,523 | 7,324 |
| Property taxes | 55,000 | - | - |
| Salaries and wages | 136,500 | 183,923 | 179,910 |
| | <hr/> | <hr/> | <hr/> |
| | 365,985 | 427,762 | 412,133 |
| <hr/> | | | |
| Revenues over expenses | (83,610) | (103,315) | (115,049) |
| Operating fund balance at beginning of period | | (69,772) | 45,277 |
| Operating fund balance at end of period | | \$ (173,087) | \$ (69,772) |

Jensen Lakes Homeowners Association

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

| | 2024 | 2023 |
|---|------------|------------|
| | Total | Total |
| Cash flows from operating activities | | |
| Association fees | \$ 324,811 | \$ 218,695 |
| Developer contribution | 40,000 | 72,431 |
| Other revenues | 6,608 | 7,010 |
| Cash paid to suppliers | (442,108) | (397,490) |
| Net cash provided by (used in) operating activities | (70,689) | (99,354) |
| Cash flows from financing activities | | |
| Developer loan proceeds | 46,256 | 60,000 |
| Increase (decrease) in cash | (24,433) | (39,354) |
| Cash, beginning of year | 82,663 | 122,017 |
| Cash, end of year | \$ 58,230 | \$ 82,663 |
| Cash and cash equivalents are comprised of: | | |
| Cash | \$ 58,230 | \$ 82,663 |

Jensen Lakes Homeowners Association

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

1 Purpose and Income Tax Status

Jensen Lakes Homeowners Association (The "Association") is a home owners' association registered under the Societies (or Companies) Act of Alberta. Its function is to regulate the use of the property and to provide repairs, maintenance and other services to the common housing areas, located in St Albert, Alberta.

The Association is a not-for-profit corporation under the Income Tax Act, and is therefore exempt from income taxes.

2 Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies are described below.

(a) Fund Accounting

The Operating Fund accounts for the Association's operating and administrative activities.

The Capital Replacement Reserve Fund reports the amounts that are set aside and used for future costs of major repairs and replacements.

(b) Revenue Recognition and Transfers to the Reserve Fund

Association fees related to general operations are recognized as revenue as billed to the owners by the Association. Billings are based on the annual budget approved by the Board of Directors. All other revenues are recognized when earned. All expenses are recognized as incurred.

(c) 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.

(d) Capital Assets

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

(e) Cash and Cash Equivalents on the Statement of Cash Flows

Cash and cash equivalents include bank balances and cash held. Short term money market funds are not included as these are considered to be investments.

Jensen Lakes Homeowners Association

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

(f) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent 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.

3 Financial Instruments and Risk Management

(a) Financial Instruments

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

The financial assets subsequently measured at amortized cost include cash, cash investment certificates, and accounts receivable. There were no financial assets subsequently measured at fair value. The financial liabilities measured at amortized cost include accounts payable and developer loan.

(b) Credit Risk

The Association does not have a concentration of credit exposure with any one party. The Association does not consider that it is exposed to undue credit risk. Credit risk includes the risk that owners will fail to pay their fees.

(c) Interest Rate Risk

The investments of the Association are subject to interest rate risk because changing interest rates impact the market value of the fixed rate investments.

(d) Liquidity Risk

Liquidity risk is the risk that the Association may not be able to meet its ongoing commitments to repair, replace and maintain the common property of the Association.

(e) Risk Management

The Association manages its credit, liquidity and cash flow risk by restricting investments to a diverse range of government and corporate preferred shares and fixed income securities.. As it is the Association's expectation to hold its investments to maturity, its cash flows are exposed to minimal interest rate and liquidity risk. The Association has the power to place caveats on titles which significantly mitigates credit risk. The Association manages liquidity risk by preparing an annual budget in consideration of the results of its reserve fund study, and may increase fees and assess special levies to ensure it has sufficient funds.

Jensen Lakes Homeowners Association

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

4 Budget Amounts

The 2024 budget amounts are presented for information purposes only. They were approved by the Directors and are unaudited.

5 Related Party Transactions

The Management Agreement grants Melcor and Villeneuve 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) 6 months after the date upon which Villeneuve has sold its last land(s) within Jensen Lakes lands
- b) The date upon which all monies owed by the association have been repaid

Villeneuve 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 Villeneuve and will no longer receive their financial support.

In 2023, an operational loan was received from Melcor in the amount of \$60,000 to fund shortfalls within the organization. In 2024 an additional amount of \$46,256 was loaned to the Association.

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 parties.

6 Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Adjustments were required that impacted the prior year comparative figures resulting from the identification of unrecorded accruals. The net impact of the adjustments was to decrease the opening net assets by an amount of \$5,987.

7 Approval of Financial Statements

These financial statements have been approved by the Board of Directors.