

1135215 ALBERTA SOCIETY

o/a ROCKY RIDGE RANCH HOMEOWNERS ASSOCIATION **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2010

1. NATURE OF THE ORGANIZATION

1135215 Alberta Society o/a Rocky Ridge Ranch Homeowners Association ("the Association") was incorporated under the Societies Act of Alberta on October 27, 2004 as a not-for-profit organization which operates amenities exclusively for the use of its members. The Association is exempt from income tax under section 149(1)(l) of the Income Tax Act.

During 2004, Marquis Development Inc. turned the ownership of the Rocky Ridge Ranch Centre and surrounding lands and amenities over to the Association for nominal consideration of \$1.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Revenue Recognition

The Association follows the deferral method of accounting for externally restricted assets where revenue is recorded when the related expense occurs. Membership fees are recognized as revenue over the term of the annual memberships. Rental revenues are recognized when services are provided. Unrestricted interest income is recognized as revenue when earned.

Property and Equipment

Property and equipment are initially recorded at cost. Amortization is provided using the declining method at rates intended to amortize the cost of assets over their estimated useful lives as follows:

Automotive	30%
Computer equipment	45%
Computer software	100%
Facility equipment	20%
Furniture and fixtures	20%
Recreational facilities	20%
Trees	5%

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2. SIGNIFICANT ACCOUNTING POLICIES Continued

Financial Instruments

The Association applies Sections 3855 "Financial Instruments - Recognition and Measurement" and 3861 "Financial Instruments - Disclosure and Presentation" of the Canadian Institute of Chartered Accountants (CICA) Handbook. As permitted by the CICA, the Association has elected not to adopt the new standards 3862 and 3863 and continues to apply section 3861 on disclosure and presentation of the financial statements.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Accounts receivable are stated after evaluation as to their collectibility and an allowance for doubtful accounts is provided for where considered necessary. Amortization is based on the estimated useful lives of property and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Recent Accounting Pronouncements

Financial Statement Presentation by Non-for-Profit Organizations

In December 2010, the Accounting Standards Board issued Part III of the CICA Handbook - Accounting - Accounting Standards for Not-for-Profit Organizations. First time adoption of this Part of the Handbook is mandatory for annual financial statements relating to fiscal years beginning on or after January 1, 2012.

The adoption of this Part should not have a material impact on the Association's financial statements.

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3. INTERNALLY RESTRICTED ASSETS

Internally restricted assets are restricted for the capital reserve.

ATB Financial GIC, 1.25%, matures May 11, 2011	\$ 150,000	\$ -
ATB Financial GIC, 1.25%, matures May 11, 2011	25,000	-
ATB T-bill savings account 03	6,099	169,929
ATB T-bill savings account 04	10,711	41,666
ATB T-bill savings account 05	-	70,103
	<u>\$ 191,810</u>	<u>\$ 281,698</u>

4. GUARANTEED INVESTMENT CERTIFICATES, UNRESTRICTED

ATB Financial, 1.25%, matures May 11, 2011	\$ 50,000
ATB Financial, 1.3%, matures August 23, 2011	25,000
Unrestricted	<u>\$ 75,000</u>

5. CASH HELD IN TRUST / ACCRUED ENCUMBRANCE TRANSFER FEE

Cash held in trust consists of \$27,511 (2009 - \$32,689) of funds held in trust and is designated for the future payment of legal fees for the transfer of encumbrances from Marquis Community Development Inc. to the Association.

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Automotive	\$ 59,723	55,143	4,580	6,543
Computer equipment	11,174	8,939	2,235	4,064
Computer software	1,365	1,365	-	-
Facility equipment	166,986	92,231	74,755	87,417
Furniture and fixtures	28,620	7,778	20,842	9,004
Recreational facilities	321,744	171,161	150,583	162,332
Trees	20,428	3,619	16,809	17,694
	<u>\$ 610,040</u>	<u>340,236</u>	<u>269,804</u>	<u>287,054</u>

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7. DEFERRED CAPITAL CONTRIBUTIONS

In 2008, the Association received \$25,000 from Decker Management Ltd. This donation, in its entirety, was used to assist in the construction of recreational facilities for the Association. This amount is being recognized as revenue over the useful life of the corresponding assets. During the year, \$3,200 (2009 - \$4,000) was amortized to revenue.

During 2005, the Association received \$24,622 from the Province of Alberta. This grant, in its entirety, was used to assist in the construction of playground facilities for the Association. This amount is being recognized as revenue over the life of the corresponding assets. During the year, \$1,866 (2009 - \$2,269) was amortized to revenue.

8. CAPITAL RESERVE

A reserve has been set up for future capital expenditures expected to be made by the Association. Each year additions to or drawings from the reserve are at the discretion of the Board of Directors. A total of \$92,010 was transferred from the capital reserve during the year to general funds for capital improvements and capital replacements with excess funds held for current capital projects (2009 - addition of \$33,886). The funds held in reserve earned interest of \$2,122 (2009 - \$1,491).

9. CAPITAL MANAGEMENT

The Association defines its capital as the amounts included in its net assets plus unearned revenue which includes both internally restricted and unrestricted amounts. The Association receives the majority of these operating and capital funds from annual membership fees and earnings on investments.

The Association manages its capital structure and makes adjustments to it, based on the funds available to the Association, in order to support its ongoing operations and to continue as a going concern.

The Association is not subject to debt covenants or any other externally imposed capital requirements with respect to operating funding.

10. COMPARATIVE FIGURES

Some of the 2009 comparative figures have been reclassified to conform to current year's presentation.

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11. FINANCIAL INSTRUMENTS

Financial Instruments

Under the standards for recognizing and measuring financial instruments, all financial instruments are classified into one of the following four categories: held for trading, held to maturity, loans and receivables or available for sale.

The Association's financial assets and liabilities are classified and measured as follows:

Held for Trading

Cash, internally restricted cash and guaranteed investment certificates are designated as held for trading at fair value with any subsequent changes in fair value recorded as a charge to the statement of operations.

Loans and receivables

Accounts receivable and goods and services tax receivable are initially recorded at cost less any impairment losses recognized and approximate their fair value due to the relatively short periods to maturity. Cash held in trust is initially recorded at fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Subsequent changes in fair value are recorded as an extinguishment to accrued encumbrance transfer fees liability.

Other financial liabilities

Accounts payable and accruals are initially recorded at cost and approximate their fair values due to the relatively short periods to maturity. Accrued encumbrance transfer fees are initially recorded at fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Subsequent changes to fair value are recorded as a reduction to cash held in trust.

12. CONTRIBUTED SERVICES AND GOODS

Contributed services and donated items are recognized in the financial statements when fair value can be reasonably estimated, when the services or goods are used in the normal course of the Association's operations and when they would otherwise have been purchased. In the current year no contributed goods or services were recorded (2009- \$nil).

A number of volunteers have made significant contributions of their time to carry out its service delivery activities. The value of this contributed time is not reflected in these financial statements.