

COUGAR RIDGE RESIDENTS ASSOCIATION
DECEMBER 31, 2010
INFORMATION PACKAGE

*COUGAR RIDGE RESIDENTS ASSOCIATION
DECEMBER 31, 2010*

Index to the Information Package

1. Financial Statements for the year ended December 31, 2010
2. Engagement Letter
3. Client Representation Letter
4. Independence Letter
5. Audit Planning Letter
6. Year End Adjusting Journal Entries

**COUGAR RIDGE RESIDENTS
ASSOCIATION**

Financial Statements

Year Ended December 31, 2010

COUGAR RIDGE RESIDENTS ASSOCIATION

Index to Financial Statements

Year Ended December 31, 2010

	Page
AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Revenues and Expenditures	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 8

CREMERS & ELLIOTT*
CHARTERED ACCOUNTANTS

212, 3907 - 3A STREET NE
CALGARY, ALBERTA T2E 6S7

PHONE (403) 245-5355
FAX (403) 245-5393

INDEPENDENT AUDITOR'S REPORT

To the Owners of Cougar Ridge Residents Association

Report on the Financial Statements

We have audited the accompanying financial statements of Cougar Ridge Residents Association, which comprise the statement of financial position as at December 31, 2010, and the statements of revenues and expenditures, changes in net assets 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 generally accepted accounting principles, 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 about 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 judgment, 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, the financial statements present fairly, in all material respects, the financial position of Cougar Ridge Residents Association as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
April 6, 2011


Hans P. Cremers
CHARTERED ACCOUNTANTS

COUGAR RIDGE RESIDENTS ASSOCIATION

Statement of Financial Position

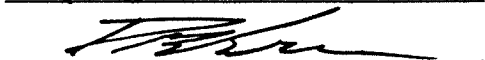
December 31, 2010

	2010	2009 <i>(Unaudited)</i>
ASSETS		
CURRENT		
Cash	\$ 45,445	\$ 100,873
Accounts receivable	42,466	23,758
Prepaid expenses	606	645
	88,517	125,276
RESERVE FUND INVESTMENTS <i>(Note 2)</i>	89,399	-
	\$ 177,916	\$ 125,276
 LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 2,918	\$ -
 NET ASSETS		
Operating fund	85,599	125,276
Capital replacement reserve fund <i>(Notes 1, 3)</i>	89,399	-
	174,998	125,276
	\$ 177,916	\$ 125,276

ON BEHALF OF THE BOARD



Director



Director

COUGAR RIDGE RESIDENTS ASSOCIATION

Statement of Revenues and Expenditures

Year Ended December 31, 2010

	Budget		(Unaudited)
	2010	2010	2009
REVENUE			
Home Owners Association Fees	\$ 190,407	\$ 126,750	\$ 125,950
Interest and collection charges	-	1,328	-
Interest	30	74	-
Miscellaneous	-	-	2,436
	<u>190,437</u>	<u>128,152</u>	<u>128,386</u>
EXPENSES			
Landscaping and snow removal	89,000	61,884	-
Management fees	-	10,018	-
Office	3,591	2,745	2,924
Audit and legal fees	8,500	2,250	-
Miscellaneous	-	1,181	-
Insurance	860	254	215
Bank charges	50	90	38
	<u>102,001</u>	<u>78,422</u>	<u>3,177</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 88,436</u>	<u>\$ 49,730</u>	<u>\$ 125,209</u>

COUGAR RIDGE RESIDENTS ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2010

	Operating Fund	Capital Replacement Reserve Fund	2010	<i>(Unaudited)</i> 2009
NET ASSETS - BEGINNING OF YEAR	\$ 125,276	\$ -	\$ 125,276	\$ 67
Excess of revenue over expenses	49,730	-	49,730	125,209
Transfer to Reserve Fund	(89,407)	89,407	-	-
Reserve expenditures (Note 4)	-	(8)	(8)	-
NET ASSETS - END OF YEAR	\$ 85,599	\$ 89,399	\$ 174,998	\$ 125,276

COUGAR RIDGE RESIDENTS ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2010

	2010	(Unaudited) 2009
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 49,730	\$ 125,209
Changes in non-cash working capital:		
Accounts receivable	(18,708)	(23,758)
Accounts payable	2,909	-
Prepaid expenses	39	(645)
	<u>(15,760)</u>	<u>(24,403)</u>
Cash flow from operating activities	<u>33,970</u>	100,806
INVESTING ACTIVITIES		
Interest on invested funds	<u>1</u>	-
Cash flow from investing activities	<u>1</u>	-
INCREASE IN CASH FLOW	33,971	100,806
CASH AND CASH EQUIVALENTS - Beginning of year	<u>100,873</u>	67
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 134,844</u>	\$ 100,873
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	\$ 45,445	\$ 100,873
Reserve fund investments	<u>89,399</u>	-
	<u>\$ 134,844</u>	\$ 100,873

COUGAR RIDGE RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Residents Association is a non-profit organization and the common area assets of the association are owned proportionately by the owners of the units and as such are not reflected as assets in these financial statements. The purpose of the residents association is to manage the common area assets and to maintain and provide services with respect to the day to day operations of the association.

The financial statements include only assets, liabilities, revenues and expenses relating to the operations of residents association. The statements do not include the cost of land or buildings and the outstanding principal balances owing on mortgages, which are the responsibility of the owners.

The association is a tax exempt organization for income tax purposes and has therefore made no provisions for income taxes on these financial statements.

Cash and short term investments

The association considers guaranteed investment certificates purchased with a maturity of three months or less to be cash equivalents.

Cash includes cash and cash equivalents. Cash equivalents are guaranteed investment certificates and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Fund Accounting

The Residents Association follows the restricted method of accounting for contributions.

The operating fund accounts for the association's operating and administrative activities.

The capital replacement reserve fund reports the fee assessments from unit owners that are to be set aside and used for future costs or major repairs or replacements.

Revenue Recognition

The Residents Association recognizes association fee assessments related to general operations as revenue of the operating fund as billed to the owners. Billings for the association fees consist of estimates of monthly charges based on approved budgets. All expenses are recognized as they are incurred.

The association fees related to the Capital Replacement Reserve Fund are recognized as revenue of the Capital Replacement Reserve Fund.

Investment income earned on the Reserve Fund Investments are recognized as revenue of the Capital Replacement Reserve Fund.

Contributed Services

Volunteer services contributed on behalf of the corporation in carrying out its operating activities are not recognized in these financial statements due to the difficulty of determining their fair value.

(continues)

COUGAR RIDGE RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2010

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

Use of Estimates

The preparation of the financial statements of the residents association are in conformity with generally accepted accounting principles that 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.

Financial Instruments

The association's financial instruments consist of cash, investment certificates, accounts receivable, prepaid expenses, and accounts payable. Unless otherwise indicated, it is management's opinion that the association is not exposed to significant interest or credit risk arising from these financial instruments. Accounts receivable are initially measured at fair value and subsequently measured at amortized cost. Gains and losses are recognized in the statement of operations. Accounts payable are initially measured at fair value and subsequently measured at amortized cost. Gains and losses are recognized in the statement of operations. The fair value of cash, accounts receivable, and accounts payable approximate their carrying values due to their short term nature.

Capital Replacement Reserve Fund

The Capital Replacement Reserve Fund is a fund required under the By-laws of the residents association to be established and maintained for the repair or replacement of any real and personal property owned by the residents association and the common property where such repair or replacement does not occur annually. When expenditures of a capital nature or for a major repair are incurred, they are charged against the reserve. The amount to be allocated to the Reserve Fund from operations is determined by the Board of Directors of the Residents Association.

Budget

The budget figures that appear on the statement of operating income are those approved by the Board of Directors and are presented for comparison purposes only. They have not been audited or reviewed but they have been reclassified to conform to the presentation in these financial statements.

2. INVESTMENTS HELD FOR THE CAPITAL REPLACEMENT RESERVE FUND ASSETS, AT FAIR VALUE

	<u>2010</u>
National Bank of Canada	\$ 89,399

3. ADEQUACY OF THE CAPITAL REPLACEMENT RESERVE FUND

The Residents Association has not as at the year end completed it's reserve fund study to determine the adequacy of the capital replacement reserve fund.

COUGAR RIDGE RESIDENTS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2010

4. RESERVE EXPENDITURES

	<u>2010</u>	<u>2009</u>
Bank charges	<u>\$ 8</u>	<u>\$ -</u>

5. COMPARATIVE FIGURES

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

CREMERS & ELLIOTT*
CHARTERED ACCOUNTANTS

212, 3907 - 3A STREET NE
CALGARY, ALBERTA T2E 6S7

PHONE (403) 245-5355
FAX (403) 245-5393

April 6, 2011

Cougar Ridge Residents Association

Attention: Mr. Brian Ellis, Treasurer

Dear Board of Directors:

The purpose of this letter is to outline the terms of our engagement to audit the financial statements of Cougar Ridge Residents Association for the year ending December 31, 2010.

Objective, Scope and Limitations

Our statutory function as auditors of Cougar Ridge Residents Association is to report to the directors by expressing an opinion on Cougar Ridge Residents Association's annual financial statements. We will conduct our audit in accordance with Canadian generally accepted auditing standards and will issue an audit report. An auditor conducting an audit in accordance with Canadian generally accepted auditing standards obtains reasonable assurance that the financial statements taken as a whole are free of material misstatement, whether caused by fraud or error. It is important to recognize that an auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of:

- a) Factors such as use of judgment, and the use of testing of the data underlying the financial statements;
- b) Inherent limitations of internal control; and
- c) The fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature.

Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. Further, while effective internal control reduces the likelihood that misstatements will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot guarantee that fraud, error and illegal acts, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards.

Our responsibilities

We will perform the audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. Accordingly, we will plan and perform our audit to provide reasonable, but not absolute, assurance of detecting fraud and errors that have a material effect on the financial statements taken as a whole, including illegal acts whose consequences have a material effect on the financial statements.

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Accordingly, except for information that is in or enters the public domain, we will not provide any third party with confidential information concerning the affairs of Cougar Ridge Residents Association without Cougar Ridge Residents Association's prior consent, unless required to do so by legal authority, or the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

We will communicate in writing to those having oversight responsibility for the financial reporting process the relationships between our firm and Cougar Ridge Residents Association (including related entities) that, in our professional judgment, may reasonably be thought to bear on our independence. Further, we will confirm our

*DENOTES AN ASSOCIATION

independence with respect to Cougar Ridge Residents Association.

The objective of our audit is to obtain reasonable assurance that the financial statements are free of material misstatement. However, if we identify any of the following matters, they will be communicated to the appropriate level of management:

- a) Misstatements, resulting from error, other than trivial errors;
- b) Fraud or any information obtained that indicates that a fraud may exist;
- c) Any evidence obtained that indicates that an illegal or possibly illegal act, other than one considered inconsequential, has occurred;
- d) Significant weaknesses in the design or implementation of internal controls to prevent and detect fraud or error; and
- e) Related party transactions identified by us that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.

The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed.

We will consider Cougar Ridge Residents Association's internal control to identify types of potential misstatements, consider factors that affect the risks of material misstatement, and design the nature, timing and extent of further audit procedures. This consideration will not be sufficient to enable us to render an opinion on the effectiveness of internal control over financial reporting.

It is acknowledged that we will have access to all personal information in your custody that we require to complete our engagement. Our services are provided on the basis that:

- You represent to us that management has obtained any required consents for collection, use and disclosure to us of personal information required under applicable privacy legislation; and
- We will hold all personal information in compliance with our firm's Privacy Statement.

In accordance with professional regulations (and by Firm policy), our client files may be periodically reviewed by practice inspectors, and by other file quality reviewers to ensure that we are adhering to professional and Firm standards. File reviewers are required to maintain confidentiality of client information.

The working papers, files, other materials, reports and work created, developed or performed by us during the course of the engagement are the property of our firm, constitute confidential information and will be retained by us in accordance with our firm's policies and procedures.

The examination of the financial statements and the issuance of our audit opinion are solely for the use of Cougar Ridge Residents Association and those to whom our report is specifically addressed by us. We make no representations of any kind to any third party in respect of these financial statements and we accept no responsibility for their use by any third party.

Management is responsible for:

Financial statements

Completeness of information

- a) Providing us with and making available complete financial records and related data, and copies of all minutes of meetings of directors and committees of directors;
- b) Providing us with information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements;
- c) Providing us with information relating to any illegal or possibly illegal acts, and all facts related thereto;
- d) Providing us with information regarding all related parties and related party transactions;

Fraud and error

- a) The design and implementation of internal control to prevent and detect fraud and error;
- b) An assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- c) Providing us with information relating to fraud or suspected fraud affecting the entity involving:
 - i) Management;
 - ii) Employees who have significant roles in internal control; or
 - iii) Others, where the fraud could have a non-trivial effect on the financial statements;
- d) Providing us with information relating to any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others;
- e) Communicating its belief that the effects of any uncorrected financial statement misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole;

Recognition, measurement and disclosure

- a) Providing us with its assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the financial statements;
- b) Providing us with any plans or intentions that may affect the carrying value or classification of assets or liabilities;
- c) Providing us with information relating to measurement and disclosure of transactions with related parties;
- d) Providing us with an assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with Measurement Uncertainty, the *CICA Handbook - Accounting* Section 1508;
- e) Providing us with information relating to claims and possible claims whether or not they have been discussed with Cougar Ridge Residents Association's legal counsel;
- f) Providing us with information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which Cougar Ridge Residents Association is contingently liable;
- g) Providing us with information on whether Cougar Ridge Residents Association has satisfactory title to assets, liens or encumbrances on assets exist, and assets are pledged as collateral;
- h) Providing us with information relating to compliance with aspects of contractual agreements that may affect the financial statements;
- i) Providing us with information concerning subsequent events; and
- j) Providing us with representations on specific matters communicated to us during the engagement.

Written confirmation of significant representations

- a) Providing us with written confirmation of significant representations provided to us during the engagement on matters that are:
 - i) Directly related to items that are material, either individually or in the aggregate, to the financial statements;
 - ii) Not directly related to items that are material to the financial statements but are significant, either individually or in the aggregate, to the engagement; and
 - iii) Relevant to your judgments or estimates that are material, either individually or in the aggregate, to the financial statements.

We ask that our name be used only with our consent and that any information to which we have attached a communication be issued with that communication unless otherwise agreed to by us.

Reproduction of Audit Report

If reproduction or publication of our audit report (or reference to our report) is planned in an annual report or other document, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to us in sufficient time for our review before the publication or posting process begins.

Management is responsible for the accurate reproduction of the financial statements, the auditors' report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either full or summarized financial statements that we have audited.

We are not required to read the information contained in your website, or to consider the consistency of other information in the electronic site with the original document.

We will maintain the strictest confidence with respect to any client's or former client's information. Accordingly, your confidential information will not, without your consent, be disclosed to any individuals in our firm beyond those who are engaged on your services. This policy applies to anyone outside the firm, except as required by law or under the profession's Rules of Professional Conduct.

The association recognizes and accepts the risks associated with communicating by Internet (e-mail) including the lack of security, unreliable delivery and possible loss of confidentiality and legal privilege. Unless the requests in writing that we do not communicate with it by Internet (e-mail), we accept no responsibility or liability in respect to any loss or damage associated with the use of Internet communications.

In addition an audit does not extend to giving an opinion as to the adequacy of the capital replacement reserve fund for major repairs and replacements

The terms of engagement as outlined above will continue in effect from year to year unless changed in writing.

We believe the foregoing correctly sets forth our understanding, but if you have any questions, please let us know. If you find the arrangements acceptable, please acknowledge your agreement to the understanding by signing and returning to us the copy enclosed.

It is a pleasure for us to be of service to you. We look forward to many years of association with you and Cougar Ridge Residents Association.

Yours truly,



Hans P. Cremers

CREMERS & ELLIOTT

The services and terms set out are as agreed.



Director

April 6, 2011

Date signed

COUGAR RIDGE RESIDENTS ASSOCIATION
Cougar Ridge Residents Association

April 6, 2011

Cremers & Elliott
Suite 212 3907 - 3A Street N.E.
Calgary Alberta T2E 6S7

Dear Sir / Madam:

We are providing this letter in connection with your audit of the financial statements of Cougar Ridge Residents Association as of December 31, 2010 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Cougar Ridge Residents Association in accordance with Canadian generally accepted accounting principles.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles and for the design and implementation of internal control to prevent and detect fraud and error. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, as of April 06, 2011, the following representations made to you during your audit.

General

1. The financial statements referred to above present fairly, in all material respects, the financial position of the association as at December 31, 2010, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.
2. We have made available to you all financial records and related data and all minutes of the meetings of shareholders, directors and committees of directors.
3. We have responded fully to all enquiries made to us and have made available to you all accounting and financial records and related data of the association during your audit.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
6. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss.
7. We have identified to you all known related parties and related party transactions, including guarantees, non-monetary transactions and transactions for no consideration.

8. We have no knowledge of fraud or suspected fraud affecting the entity involving management; employees who have significant roles in internal control; or others, where the fraud could have a nontrivial effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
10. We believe the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
11. We believe that the significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
13. All related party transactions have been appropriately measured and disclosed in the financial statements.
14. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
15. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
16. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
17. The association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements. This includes:

- a) Appropriate provisions for idle, abandoned, destroyed or obsolete assets or where site restoration costs will be necessary; and
 - b) Impairments in the value of goodwill or intangible assets.
18. We have disclosed to you, and the association has complied with, all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
 19. There have been no events subsequent to the balance sheet date up to the date hereof that would require recognition or disclosure in the financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and the related notes.
 20. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.
 21. There are no material unrecorded assets or contingent assets (such as claims relating to patent infringements or unfulfilled contracts whose value depends on satisfying conditions regarded as uncertain), that have not been disclosed to you.
 22. We have disclosed to you all significant estimates and fair value measurements. We are of the opinion that:
 - a) The measurement methods used are permitted under Canadian generally accepted accounting principles and appropriate in the circumstances;
 - b) The underlying assumptions are reasonable and reflect management's best estimates considering existing market information;
 - c) The method of valuation has been applied consistently;
 - d) The assumptions are consistent with management's intended courses of action; and
 - e) Financial statement disclosures are in accordance with Canadian generally accepted accounting principles.

23. The minute books of the association are a complete record of all meetings and resolutions of shareholders and directors throughout the period and to the present date.

24. We are aware of the environmental laws and regulations that have an impact on our association and we are in compliance. There are no known environmental liabilities that have not been accrued for or disclosed in the financial statements.

Yours truly,

COUGAR RIDGE RESIDENTS ASSOCIATION



April 6, 2011
Date signed

April 6, 2011
Date signed

CREMERS & ELLIOTT*
CHARTERED ACCOUNTANTS

SUITE 212, 3907 - 3A STREET NE
CALGARY, ALBERTA T2E 6S7

PHONE (403) 245-5355
FAX (403) 245-5393

April 6, 2011

Cougar Ridge Residents Association

Attention: Mr. Brian Ellis, Treasurer

Dear Audit Committee Members:

We have been engaged to audit the financial statements of Cougar Ridge Residents Association for the year ending December 31, 2010.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the association and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, the standards require us to consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of Alberta and applicable legislation, covering such matters as:

- a) holding a financial interest, either directly or indirectly, in a client;
- b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- d) economic dependence on a client; and
- e) provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since the date of our last letter.

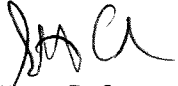
We are not aware of any relationships between the Residents Association and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence, that have occurred from January 1, 2010 to April 6, 2011.

Canadian generally accepted standards for audit engagements require that we confirm our independence to the proprietor in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. Accordingly, we hereby confirm that we are independent with respect to the association within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta as of April 6, 2011.

This report is intended solely for the use of management, and others within the association and should not be used for any other purpose.

Should you wish to discuss this matter with us further, please contact us at your earliest convenience. Thank you again for the opportunity to provide our services to your association.

Yours truly,

A handwritten signature in black ink, appearing to read 'Hans P. Cremers', with a stylized flourish at the end.

Hans P. Cremers

CREMERS & ELLIOTT

CREMERS & ELLIOTT *
CHARTERED ACCOUNTANTS

212, 3907 - 3A STREET NE
CALGARY, AB T2E 6S7

PHONE: 403-245-5355
FAX: 403-245-5393

April 6, 2011

Cougar Ridge Residents Association
Cougar Ridge Residents Association

To the Board of Directors:

We have been engaged to audit the financial statements of Cougar Ridge Residents Association for the year ending December 31, 2010. Canadian generally accepted auditing standards require that we communicate the following information with you in relation to your audit.

Management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. This includes the design and maintenance of accounting records, recording transactions, selecting and applying accounting policies, safeguarding of assets and preventing and detecting fraud and error.

Our Responsibility as Auditors

As stated in the engagement letter dated , our responsibility as auditors of your organization is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Canadian generally accepted accounting principles.

An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement. Due to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

Our audit includes:

- Assessing the risk that the financial statements may contain misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole; and
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

As part of our audit, we will obtain a sufficient understanding of the business and the internal control structure of Cougar Ridge Residents Association to plan the audit. This will include management's assessment of:

- The risk that the financial statements may be materially misstated as a result of fraud and error; and,
- The internal controls put in place by management to address such risks.

Board of Directors Members' Responsibilities

The audit committee's role is to act in an objective, independent capacity as a liaison between the auditors, management and the board of directors, to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations.

Cougar Ridge Residents Association
April 6, 2011

The Board of Directors responsibilities include:

- Being available to assist and provide direction in the audit planning process when and where appropriate;
- Meeting with the auditors as necessary and prior to release and approval of financial statements to review audit, disclosure and compliance issues;
- Where necessary, reviewing matters raised by the auditors with appropriate levels of management, and reporting back to the auditors their findings;
- Making known to the auditors any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them, where such matters may impact the financial statements or auditor's report;
- Providing guidance and direction to the auditors on any additional work they feel should be undertaken in response to issues raised or concerns expressed;
- Making such enquiries as appropriate into the findings of the auditors with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls; and
- Reviewing the draft financial statements prepared by management, including the presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness, and approve same to be passed to directors for approval.

Audit Approach

Outlined below are certain aspects of our audit approach which are intended to help you in discharging your oversight responsibilities. Our general approach to the audit of Cougar Ridge Residents Association is to assess the risks of material misstatement in the financial statements and then respond by designing audit procedures.

We determined, based on our review and evaluation of internal controls, that limited reliance would be placed on the system of internal controls. The relative size of the Residents Association, management structure and the nature of the volume of transactions processed during the past year did not lend itself to control-based compliance procedures in conduct of our audit. The testing of such controls would not, in our view, be cost efficient for the level of assurance such tests may provide. Accordingly, a primarily substantive audit approach for the current year has been adopted.

The audit methodology is based on fundamental concepts of:

- * materiality;
- * audit risk by financial statement area and assertion; and
- * the optimum combination of tests of controls, substantive analytical procedures, and/or other substantive procedures.

Illegal Acts, Fraud, Intentional Misstatements and Errors

Our auditing procedures, including tests of your accounting records, are limited to those considered necessary in the circumstances and would not necessarily disclose all illegal acts, fraud, intentional misstatements or errors should any exist. We will conduct the audit under Canadian generally accepted auditing standards (GAAS), which include procedures to consider (based on the control environment, governance structure and circumstances encountered during the audit), the potential likelihood of fraud and illegal acts occurring.

These procedures are not designed to test for fraudulent or illegal acts, nor would they necessarily detect such acts or recognize them as such, even if the effect of their consequences on the financial statements is material. However, should we become aware that an illegal or possible illegal act or an act of fraud may have occurred, other than one considered clearly inconsequential, we will communicate this information directly to the audit committee.

Cougar Ridge Residents Association
April 6, 2011

It is management's responsibility to detect and prevent illegal actions. If such acts are discovered or audit committee members become aware of circumstances under which the Residents Association may have been involved in fraudulent, illegal or regulatory non-compliance situations, such circumstances must be disclosed to us.

Related Party Transactions

During our audit, we conduct various tests and procedures to identify transactions considered to involve related parties. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, directors and their immediate family members and companies with which these individuals have an economic interest.

We will ensure that all related party transactions that were identified during the audit have been represented by management to have been disclosed in the notes to financial statements, recorded in accordance with Canadian generally accepted accounting principles (GAAP), and have been reviewed with you. All gains and losses occurring as a result of transactions with related parties have been recorded in accordance with the recommendations of Section 3840 of the Canadian Institute of Chartered Accountants (CICA) Handbook. Management has advised that no other related party transactions have occurred that have not been disclosed to us. The audit committee is required to advise us if they are aware of or suspect any other related party transactions have occurred which have not been disclosed in the financial statements.

Risk-based

Our risk-based approach focuses on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriately low level. This means that we focus our audit work on higher risk areas that have a higher risk of being materially misstated.

Materiality

Materiality in an audit is used to:

- Guide planning decisions on the nature and extent of our audit procedures;
- Assess the sufficiency of the audit evidence gathered; and
- Evaluate any misstatements found during our audit.

Materiality is defined as:

Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgement in the particular circumstances.

We plan to use a materiality of \$1,507.

Audit Procedures

In responding to our risk assessment, we will use a combination of tests of controls, tests of details and substantive analytical procedures. The objective of the tests of controls is to evaluate whether certain controls operated effectively. The objective of the tests of details is to detect material misstatements in the account balances and transaction streams. Substantive analytical procedures are used to identify differences between recorded amounts and predictable expectations in larger volumes of transactions over time.

Other Matters

Cougar Ridge Residents Association
April 6, 2011

This communication is prepared solely for the information of the audit committee and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Yours truly,

A handwritten signature in black ink, appearing to read 'Hans P. Cremers', written in a cursive style.

Hans P. Cremers
Cremers & Elliott Chartered Accountants

Cougar Ridge Residents Association

Year End: December 31, 2010

Adjusting journal entries

Date: 01/01/2010 To 31/12/2010

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence
1	31/12/2010	Combined Replacement Reserves	25100				8.45	
1	31/12/2010	Reserve Expenditures	25250			8.45		
Seperate the CRRF								
2	31/12/2010	Additional Transfers	25400			89,406.78		
2	31/12/2010	Additional Transfer to Reserve Fund	25450				89,406.78	
To record additional transfers to reserve fund								
3	31/12/2010	Accrued Payables	20200				2,250.00	
3	31/12/2010	Legal and Audit	50100			2,250.00		
To record accrued A/P								
4	31/12/2010	Prepaid Insurance	15800				254.47	
4	31/12/2010	Property, Liability, D&O, Fidelity Insurance	85100			254.47		
To expense prepaid insurance								
5	31/12/2010	AR Clearing	15300				1,180.52	
5	31/12/2010	Miscellaneous	87300			1,180.52		
To write off amount in AR clearing.								
6	31/12/2010	GST Refund/Due	22300			6,035.71		
6	31/12/2010	GST Refund/Due	22300				737.21	
6	31/12/2010	HOA Fees	41100				6,035.71	
6	31/12/2010	Management and Accounting	51100			737.21		
To reverse set up of GST as condominium was not registered during the year.								
						99,873.14	99,873.14	
Net Income (Loss)			49,730.15					

Prepared by	Reviewed by
RF	
28/03/2011	