

NEW DISCOVERY HOMEOWNERS ASSOCIATION

Financial Statements

December 31, 2012

New Discovery Homeowners Association
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For the Years Ended December 31, 2011 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of New Discovery Homeowners Association:

Report on the financial statements

We have audited the accompanying financial statements of New Discovery Homeowners Association, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations and changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 New Discovery Homeowners Association as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011, in accordance with Canadian accounting standards for not-for-profit organizations.

Thompson Penner & Lo LLP

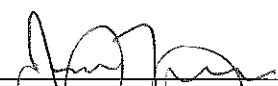
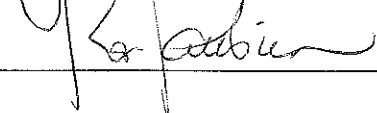
Certified General Accountants

April 15, 2013
Calgary, Alberta, Canada

New Discovery Homeowners Association
Statements of Financial Position
As at December 31, 2011 and 2012 and January 1, 2011

	2012	2011	January 1, 2011
ASSETS			
Current			
Cash	\$ 32,365	\$ 15,988	\$ 683,770
Short term investments (note 5)	50,922	250,002	-
Accounts receivable (note 4)	25,170	31,551	35,222
Prepaid expenses	1,663	1,978	1,663
	<u>110,120</u>	<u>299,519</u>	<u>720,655</u>
Long term investments (note 5)	638,164	500,029	-
Property (note 6)	1	1	1
	<u>\$ 748,285</u>	<u>\$ 799,549</u>	<u>\$ 720,656</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	\$ 28,660	\$ 23,907	\$ 36,825
Unearned revenue	50	459	950
	<u>28,710</u>	<u>24,366</u>	<u>37,775</u>
Net assets			
Unrestricted	<u>719,575</u>	<u>775,183</u>	<u>682,881</u>
	<u>\$ 748,285</u>	<u>\$ 799,549</u>	<u>\$ 720,656</u>

Approved on behalf of the Board:

Director: 
 Director: 

New Discovery Homeowners Association
Statements of Operations and Changes in Net Assets
For the Years Ended December 31, 2011 and 2012

	2012	2011
Revenue		
Association fees	\$ 489,900	\$ 490,146
Municipal funding	20,553	19,954
Interest income	15,562	6,907
Interest on late payments	4,146	4,823
	<u>530,161</u>	<u>521,830</u>
Expenses		
Non-recurring expenses		
Capital plan projects	168,806	-
New trees	18,254	-
Winter lights	1,169	-
Entrance median project	-	29,851
	<u>188,229</u>	<u>29,851</u>
Operating expenses		
Landscaping - contract	281,976	333,848
Landscaping - other charges	63,182	35,482
Bench repairs	18,533	-
Winter lights	7,196	5,304
Enmax	2,778	2,764
Pump repairs	341	506
	<u>374,006</u>	<u>377,904</u>
Administrative expenses		
Merchant services charges	6,558	6,539
Auditing fees	4,398	4,140
Homeowner communication costs	4,329	4,303
Legal fees	2,632	1,454
Alberta land title fees	1,760	1,515
Insurance	1,299	1,299
Telephone	998	945
Property tax	920	883
Mailbox rental	315	315
Office supplies	235	207
Postage	65	173
Bank charges	25	-
	<u>23,534</u>	<u>21,773</u>
	<u>585,769</u>	<u>429,528</u>
(Deficiency) excess of revenue over expenses	(55,608)	92,302
Unrestricted net assets, beginning of year	775,183	682,881
Unrestricted net assets, end of year	\$ 719,575	\$ 775,183

New Discovery Homeowners Association
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2012

	2012	2011
OPERATING ACTIVITIES		
Cash receipts from members	\$ 500,018	\$ 498,149
Grants received	20,553	19,954
Interest received	15,562	6,907
Cash paid to suppliers	(580,701)	(442,761)
Cash flow from operating activities	<u>(44,568)</u>	<u>82,249</u>
INVESTING ACTIVITIES		
Redemption (purchase) of short term investment	199,080	(250,002)
Purchase of long-term investment	(138,135)	(500,029)
Cash flow from investing activities	<u>60,945</u>	<u>(750,031)</u>
Increase (decrease) in cash	16,377	(667,782)
Cash, beginning of year	<u>15,988</u>	<u>683,770</u>
Cash, end of year	\$ 32,365	\$ 15,988

New Discovery Homeowners Association
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2012

1. DESCRIPTION OF OPERATIONS

New Discovery Homeowners Association (the "Association") is incorporated as a not-for-profit corporation under Part 9 of the Companies Act of Alberta, to operate and maintain certain lands and amenities within the residential community known as New Discovery in the City of Calgary. The Association was incorporated on February 18, 2000 and had no active operations until January 1, 2003.

Pursuant to the "Agreement for Development, the Initial Management of and Delivery of Amenities to New Discovery Homeowners Association" dated February 18, 2000 between the Association and the Developer, the Developer will construct the New Discovery amenities ("Amenities") at its cost, and thereafter transfer the Amenities to the Association at a nominal cost. Upon completion of all phases of the New Discovery subdivision, the Association has taken title to and assumed the operation and maintenance of the Amenities from the Developer following the receipt of the Final Acceptance Certificate issued by the City of Calgary for each phase.

2. IMPACT OF THE CHANGES IN THE BASIS OF ACCOUNTING

Effective January 1, 2012, the Association adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations. These are the Association's first financial statements prepared in accordance with these accounting standards, which has been applied retrospectively. The accounting policies set out in the following significant accounting policy note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening statement of financial position as at January 1, 2011 (the Association's date of transition).

The Association issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting XFI. The adoption of Canadian accounting standards for not-for-profit organizations had no impact on the Association's excess of revenues over expenses for the year ended December 31, 2011 or on the net assets as at January 1, 2011, the date of transition. Certain of the Association's disclosures included in these financial statements reflect the new disclosure requirements of Canadian accounting standards for not-for-profit organizations.

Note that the Association's 2012 statement of financial position is three columns: December 31, 2012, December 31, 2011 and January 1, 2011. The balances for the January 1, 2011 statement of financial position are the same as those shown for December 31, 2010 because there were no transitional adjustments to these numbers.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CICA Handbook*, and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Revenue Recognition

Association dues are recognized as income in the fiscal period to which they relate. Payments received in advance are reported as unearned revenue.

(Continue.../)

New Discovery Homeowners Association
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continue.../)

b) Income tax

As a not-for-profit organization, the Association is not subject to income taxes under Section 149(1)(l) of the Income Tax Act (Canada). However, the Association's interest income may be subject to income taxes under Section 149(5) of the Income Tax Act (Canada). Because any income taxes payable would relate only to the Association's interest income, the income tax provision, if any, would be netted against the interest income for financial statement presentation purposes.

c) 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.

d) Financial instruments

The Association initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost.

The financial assets measured at amortized cost include cash, guaranteed investment certificates and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

4. ACCOUNTS RECEIVABLE

Accounts receivable are secured by an annual charge of \$300 on the title of each residential unit constructed in the New Discovery subdivision.

5. INVESTMENTS

Short term investments

Guaranteed investment certificates with maturity dates less than one year from the date of acquisition, bearing an interest rate of 1.8%.

2012	2011
\$ 50,922	\$ 250,002

Long term investments

High interest yield guaranteed investment certificates, bearing a 1.25% rate of interest.

\$ 127,330	\$ -
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Guaranteed investment certificates with maturity dates greater than one year from the date of acquisition, bearing an interest rates ranging from 2.05% to 2.25%.

510,834	500,029
\$ 638,164	\$ 500,029

New Discovery Homeowners Association
Notes to the Financial Statements
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6. PROPERTY

In accordance with the development agreement for the New Discovery subdivision, the title of the land on which the Amenities are situated was transferred to the Association for a nominal amount. The land is restricted for public use and green space.

7. FINANCIAL INSTRUMENTS

Management has determined that the Association is not exposed to significant credit or interest rate risk, but does have some market risk due to the nature of investments held.

8. COMPARATIVE FIGURES

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