

NEW DISCOVERY HOMEOWNERS ASSOCIATION

Financial Statements

December 31, 2013

New Discovery Homeowners Association
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For the Year Ended December 31, 2013

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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 statement of financial position as at December 31, 2013, and the statements of operations and 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 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 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 New Discovery Homeowners Association as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calvista LLP
Professional Accountants

April 22, 2014
Calgary, Alberta, Canada

CALVISTA LLP
PROFESSIONAL ACCOUNTANTS

Suite 1705, 1632 - 14th Ave NW
Calgary, AB T2N 1M7

TEL: 403.777.2299
403.283.1088

FAX: 403.777.4201
WEB: WWW.CALVISTA.CA

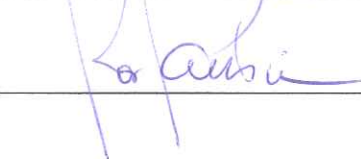


New Discovery Homeowners Association
Statement of Financial Position
As at December 31, 2013

	2013	2012
ASSETS		
Current		
Cash	\$ 48,496	\$ 32,365
Short term investments (note 4)	521,799	50,922
Accounts receivable (note 3)	32,473	25,170
Prepaid expenses	36,729	1,663
	<u>639,497</u>	<u>110,120</u>
Long term investments (note 4)	180,401	638,164
Property (note 5)	1	1
	<u>\$ 819,899</u>	<u>\$ 748,285</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 24,541	\$ 28,660
Unearned revenue	-	50
	<u>24,541</u>	<u>28,710</u>
Net assets		
Unrestricted	<u>795,358</u>	<u>719,575</u>
	<u>\$ 819,899</u>	<u>\$ 748,285</u>

Approved on behalf of the Board:

Director:  _____

Director:  _____

New Discovery Homeowners Association
Statements of Operations and Changes in Net Assets
For the Year Ended December 31, 2013

	2013	2012
Revenue		
Association fees	\$ 490,500	\$ 489,900
Municipal funding	20,552	20,553
Interest income	14,104	15,562
Interest on late payments	3,939	4,146
	<u>529,095</u>	<u>530,161</u>
Expenses		
Non-recurring expenses		
Remediation projects	36,801	-
Community gardens	937	-
Capital plan projects	-	168,806
New trees	-	18,254
Winter lights	-	1,169
	<u>37,738</u>	<u>188,229</u>
Operating expenses		
Landscaping - contract	305,785	281,976
Landscaping - other charges	73,380	63,182
Winter lights	9,747	7,196
Enmax	2,164	2,778
Bench repairs	-	18,533
Pump repairs	-	341
	<u>391,076</u>	<u>374,006</u>
Administrative expenses		
Merchant services charges	7,778	6,558
Auditing fees	4,973	4,398
Homeowner communication costs	4,698	4,329
Legal fees	2,768	2,632
Alberta land title fees	1,410	1,760
Insurance	1,304	1,299
Telephone	998	998
Mailbox rental	315	315
Postage	166	65
Office supplies	63	235
Bank charges	25	25
Property tax	-	920
	<u>24,498</u>	<u>23,534</u>
	<u>453,312</u>	<u>585,769</u>
Excess (deficiency) of revenue over expenses	75,783	(55,608)
Unrestricted net assets, beginning of year	719,575	775,183
Unrestricted net assets, end of year	\$ 795,358	\$ 719,575

New Discovery Homeowners Association
Statement of Cash Flows
For the Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Cash receipts from members	\$ 487,086	\$ 500,018
Grants received	20,552	20,553
Interest received	14,104	15,562
Cash paid to suppliers	(492,497)	(580,701)
Cash flow from operating activities	<u>29,245</u>	<u>(44,568)</u>
INVESTING ACTIVITIES		
Redemption (purchase) of short term investment	(470,877)	199,080
Redemption (purchase) of long-term investment	457,763	(138,135)
Cash flow from investing activities	<u>(13,114)</u>	<u>60,945</u>
Increase in cash	16,131	16,377
Cash, beginning of year	<u>32,365</u>	<u>15,988</u>
Cash, end of year	\$ 48,496	\$ 32,365

New Discovery Homeowners Association

Notes to the Financial Statements

For the Year Ended December 31, 2013

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. 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 *CPA 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.

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. Actual results could differ from those estimates.

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.

New Discovery Homeowners Association
Notes to the Financial Statements
For the Year Ended December 31, 2013

3. 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.

4. INVESTMENTS

<u>Short term investments</u>	<u>2013</u>	<u>2012</u>
Cash to invest	\$ 260,452	\$ 50,922
Guaranteed investment certificates maturing December 29, 2014, bearing interest between 2.20% and 2.25%.		
	<u>261,347</u>	
	<u>\$ 521,799</u>	<u>\$ 50,922</u>
<u>Long term investments</u>		
Mutual Funds	\$ 180,401	\$ 127,330
Guaranteed investment certificates with maturity dates greater than one year from the date of acquisition, bearing interest between 2.05% to 2.25%.		
	-	510,834
	<u>\$ 180,401</u>	<u>\$ 638,164</u>

5. 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.

6. 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.

7. COMPARATIVE FIGURES

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