

**NEW DISCOVERY HOMEOWNERS
ASSOCIATION**

FINANCIAL STATEMENTS

December 31, 2007



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





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AUDITORS' REPORT

To the Members of New Discovery Homeowners Association

We have audited the statement of financial position of New Discovery Homeowners Association as at December 31, 2007 and the statements of operations and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Partners

Tenny S. Lo, MA, FCGA, CFP, CA*

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NEW DISCOVERY HOMEOWNERS ASSOCIATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2007

	2007	2006
REVENUE		
Association fees	\$ 422,339	\$ 394,602
Municipal funding		
Operating grant	17,712	-
Community Standards Fund	7,475	-
Interest on late payments	24,081	1,904
Interest income	15,237	10,652
	<u>486,844</u>	<u>407,158</u>
EXPENSES		
Non-recurring expenses		
New trees	38,664	-
Garbage cans	7,626	-
Winter lights	12,943	-
Accounting software	-	477
	<u>59,233</u>	<u>477</u>
Operating expenses		
Landscaping - contract	297,314	110,714
Landscaping - other charges	25,388	55,312
Snow removal	35,828	10,929
Garbage removal	9,373	-
Weed control	17,808	-
Winter lights	6,343	-
Enmax	1,524	2,947
	<u>393,578</u>	<u>179,901</u>
Administrative expenses		
Homeowner communication costs	5,080	646
Alberta Land Title fees	4,050	24
Accounting fees	13,175	15,281
Auditing fees	5,550	5,007
Insurance	117	1,814
Property tax	-	484
Merchant services charges	2,031	491
Office supplies	376	1,085
Telephone	602	320
Postage	396	1,258
Mailbox rental	128	297
Unrecoverable fees	394	750
Bank charges	26	182
	<u>31,925</u>	<u>27,639</u>
	<u>484,736</u>	<u>208,017</u>
EXCESS OF REVENUE OVER EXPENSES	2,108	199,141
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	511,064	311,923
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 513,172	\$ 511,064



NEW DISCOVERY HOMEOWNERS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
December 31, 2007

	2007	2006
ASSETS		
CURRENT		
Cash	\$ 409,103	\$ 399,452
Accounts receivable (Note 3)	189,755	132,565
Prepaid expenses	2,317	-
	<u>601,175</u>	<u>532,017</u>
PROPERTY (Note 4)	<u>1</u>	<u>1</u>
	<u>\$ 601,176</u>	<u>\$ 532,018</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 83,991	\$ 15,363
Unearned revenue	4,015	5,591
	<u>88,006</u>	<u>20,954</u>
NET ASSETS		
UNRESTRICTED	<u>513,172</u>	<u>511,064</u>
	<u>\$ 601,178</u>	<u>\$ 532,018</u>

APPROVED ON BEHALF OF THE BOARD

_____, Director

_____, Director



NEW DISCOVERY HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
For the year Ended December 31, 2007

	2007	2006
OPERATING ACTIVITIES		
Cash receipts from members	\$ 387,656	\$ 379,919
Interest received	15,237	10,652
Grants received	25,187	-
Cash paid to suppliers	(418,400)	(196,750)
Cash flow from operating activities	<u>9,680</u>	<u>193,821</u>
INCREASE IN CASH FLOW	9,680	193,821
Cash - beginning of the year	<u>399,449</u>	<u>205,813</u>
CASH - END OF YEAR	\$ 409,129	\$ 399,634



NEW DISCOVERY HOMEOWNERS ASSOCIATION
NOTES TO THE AUDITED FINANCIAL STATEMENTS
For the year ended December 31, 2007

1. DESCRIPTION OF OPERATIONS

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. On completion of each phase of the New Discovery subdivision, the Association will take title to and assume the operation and maintenance of the Amenities from the Developer as the Final Acceptance Certificate is issued by the City of Calgary for that phase.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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)(1) 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 generally accepted accounting principles 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. Estimates of eventual recovery of association dues receivable are subject to inherent limitation based on the initial possession date by a home purchaser. Management has, in the past, provided allowances for potential timing differences between when a phase has been serviced and actual possession date. As completion of all phases nears, this allowance has now been eliminated. Actual results could differ from these estimates.

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.



NEW DISCOVERY HOMEOWNERS ASSOCIATION

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2007

4. 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.

5. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

6. COMPARATIVE FIGURES

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

