

NEW DISCOVERY HOMEOWNERS ASSOCIATION

Financial Statements

Year Ended December 31, 2006



NEW DISCOVERY HOMEOWNERS ASSOCIATION

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Year Ended December 31, 2006

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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, 2006 and the statements of revenues and expenditures and changes in net assets and cash flow 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Partners

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May 16, 2007

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NEW DISCOVERY HOMEOWNERS ASSOCIATION

Statement of Revenues and Expenditures and Changes in Net Assets

Year Ended December 31, 2006

	2006	2005 <i>Restated</i>
REVENUE		
Association dues	\$ 394,602	\$ 135,218
Interest income	10,652	1,500
Interest on late charges	1,904	4,478
	<u>407,158</u>	<u>141,196</u>
EXPENSES		
Repairs and maintenance	180,153	-
Accounting and administrative fees	12,082	7,992
Professional fees	5,000	5,407
Utilities	2,947	-
Office	2,037	-
Insurance	1,814	-
Interest and bank charges	1,792	-
Communications	902	-
Supplies	768	-
Property taxes	523	-
	<u>208,018</u>	<u>13,399</u>
EXCESS OF REVENUE OVER EXPENSES	199,140	127,797
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	311,926	184,129
UNRESTRICTED NET ASSETS, END OF YEAR	511,066	311,926



NEW DISCOVERY HOMEOWNERS ASSOCIATION

Statement of Financial Position

December 31, 2006

	2006	2005 <i>Restated</i>
ASSETS		
CURRENT		
Cash	\$ 399,452	\$ 205,813
Accounts receivable (Note 3)	<u>132,568</u>	<u>110,920</u>
	532,020	316,733
PROPERTY (Note 4)		
	<u>1</u>	<u>1</u>
	<u>\$ 532,021</u>	<u>\$ 316,734</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 15,363	\$ 4,281
Unearned income	<u>5,591</u>	<u>530</u>
	20,954	4,811
NET ASSETS		
Unrestricted	<u>511,067</u>	<u>311,923</u>
	<u>\$ 532,021</u>	<u>\$ 316,734</u>

ON BEHALF OF THE BOARD

Director

Director



NEW DISCOVERY HOMEOWNERS ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2006

	2006	2005 <i>Restated</i>
OPERATING ACTIVITIES		
Cash receipts from customers	\$ 379,919	\$ 119,254
Interest received	10,652	1,500
Cash paid to suppliers	<u>(196,932)</u>	<u>(24,152)</u>
Cash flow from operating activities	<u>193,639</u>	<u>95,102</u>
INCREASE IN CASH FLOW	193,639	95,102
Cash - beginning of year	<u>205,813</u>	<u>110,711</u>
CASH - END OF YEAR	<u>\$ 399,452</u>	<u>\$ 205,813</u>



NEW DISCOVERY HOMEOWNERS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2006

1. DESCRIPTION OF OPERATIONS

The Association is incorporated as a non-for-profit corporation under part 9 of the Companies Act of Alberta, to operate and maintain certain lands and amenities within the residential community know 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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). As any income taxes payable would relate only to the Association's interest income, the income tax provision will be netted against the interest income for any financial statement presentation purposes.

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 receivables 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 be eliminated. Actual results could differ from these estimates.

3. ACCOUNTS RECEIVABLE

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

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.



NEW DISCOVERY HOMEOWNERS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2006

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. PRIOR YEAR FINANCIAL STATEMENTS RESTATED

Due to the difficulty in determining when a home is initially occupied, it was the Association's practice to invoice homeowners for dues on all lots once the phase had been serviced and to record an allowance for estimated uncollectable fees. During the current year, the Association has been able to determine which lots are occupied before invoicing. This change in accounting treatment has been recognized retrospectively, resulting in a restatement of the following amounts for the year ended December 31, 2005:

	<u>2006</u>	<u>2005</u>
Account receivable increased	\$ -	\$42,942
Revenue	-	42,942
Ending retained earning increased	-	42,942
Beginning retained earnings increase	\$42,942	\$ -

7. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of professional accountants. Some of the comparative figures have been reclassified to conform to the current year presentation.

