

NEW DISCOVERY HOMEOWNERS ASSOCIATION

Financial Statements

December 31, 2018

NEW DISCOVERY HOMEOWNERS ASSOCIATION
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For the Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of New Discovery Homeowners Association

Opinion

We have audited the financial statements of New Discovery Homeowners Association (the "Association"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of New Discovery Homeowner Association for the year ended December 31, 2017, were audited by the firm of Calvista LLP, whose practice now operates under BDO Canada LLP, and who expressed an unmodified opinion on those statements on April 14, 2018.

Responsibilities of Management and Those Charged with Governance for the 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or cease operations, or has no realistic alternative but to do so.

(continues)



Independent Auditor's Report to the Members of New Discovery Homeowners Association *(continued)*

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

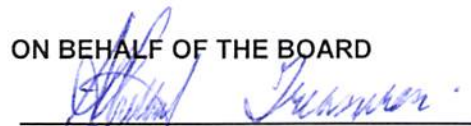
Chartered Professional Accountants

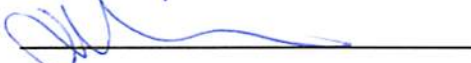
Calgary, Alberta
May 13, 2019

NEW DISCOVERY HOMEOWNERS ASSOCIATION
Statement of Financial Position
As at December 31, 2018

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Assets | | |
| Current | | |
| Cash | \$ 94,480 | \$ 28,542 |
| Short term investments (Note 3) | 200,000 | 270,808 |
| Accounts receivable (Note 4) | 66,374 | 21,686 |
| Interest receivable | 884 | - |
| Advance receivable (Note 5) | - | 26,317 |
| Prepaid expenses | 1,989 | 1,612 |
| | <u>363,727</u> | 348,965 |
| Property and equipment (Note 6) | <u>1</u> | <u>1</u> |
| | <u>\$ 363,728</u> | <u>\$ 348,966</u> |
| Liabilities and Net assets | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 19,675 | \$ 38,144 |
| Net assets | <u>344,053</u> | 310,822 |
| | <u>\$ 363,728</u> | <u>\$ 348,966</u> |

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

NEW DISCOVERY HOMEOWNERS ASSOCIATION
Statement of Operations and Changes in Net Assets
For the Year Ended December 31, 2018

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Revenue | | |
| Association fees | \$ 494,400 | \$ 494,400 |
| Municipal funding | 31,243 | 22,458 |
| Interest on late payments | 2,980 | 2,186 |
| Interest income | 2,194 | 2,863 |
| | <u>530,817</u> | <u>521,907</u> |
| Expenses | | |
| Non-recurring expenses | | |
| DRCA Park | 26,317 | 23,683 |
| Median re-landscaping | 10,129 | 145,863 |
| | <u>36,446</u> | <u>169,546</u> |
| Operating expenses | | |
| Landscaping - contract | 358,731 | 367,211 |
| Landscaping - other charges | 66,296 | 13,317 |
| Winter lights | 7,950 | 6,002 |
| Enmax | 2,390 | 1,750 |
| Pump repairs | 254 | 650 |
| | <u>435,621</u> | <u>388,930</u> |
| Administrative expenses | | |
| Merchant services charges | 10,262 | 9,439 |
| Auditing fees | 7,001 | 6,300 |
| Homeowner communication costs | 4,140 | 5,776 |
| Insurance | 1,585 | 1,488 |
| Telephone | 998 | 998 |
| Legal fees | 569 | 1,172 |
| Alberta land title fees | 470 | 1,530 |
| Mailbox rental | 396 | 378 |
| Bank charges | 98 | 215 |
| Postage | - | 396 |
| | <u>25,519</u> | <u>27,692</u> |
| | <u>497,586</u> | <u>586,168</u> |
| Excess (deficiency) of revenue over expenses | 33,231 | (64,261) |
| Unrestricted net assets - beginning of year | <u>310,822</u> | <u>375,083</u> |
| Unrestricted net assets - end of year | \$ 344,053 | \$ 310,822 |

The accompanying notes are an integral part of these financial statements.

NEW DISCOVERY HOMEOWNERS ASSOCIATION
Statement of Cash Flows
For the Year Ended December 31, 2018

| | 2018 | 2017 |
|---|-------------------------|-------------------------|
| Operating activities | | |
| Cash receipts from members | \$ 451,808 | \$ 497,325 |
| Cash paid to suppliers | (490,113) | (544,292) |
| Interest received | 2,193 | 2,864 |
| Municipal funding | 31,242 | 22,458 |
| | <u>(4,870)</u> | <u>(21,645)</u> |
| Investing activity | | |
| Redemption (purchase) of short term investments | <u>70,808</u> | <u>(2,187)</u> |
| Increase (decrease) in cash flow | 65,938 | (23,832) |
| Cash - beginning of year | <u>28,542</u> | <u>52,374</u> |
| Cash - end of year | <u>\$ 94,480</u> | <u>\$ 28,542</u> |

NEW DISCOVERY HOMEOWNERS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

1. Purpose of the organization

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. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada 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:

Revenue recognition

The Association follows the deferred method of accounting for contributions. Association dues are recognized as income in the fiscal period to which they relate. Payments received in advance are reported as unearned revenue.

Municipal funding is recognized as revenue when received or receivable, if the amount to be reasonably estimated and collection is reasonable assured.

Income taxes

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.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards of not-for-profit organization 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. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

NEW DISCOVERY HOMEOWNERS ASSOCIATION
Notes to Financial Statements
Year Ended December 31, 2018

2. Summary of significant accounting policies (continued)

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.

3. Short term investments

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| GIC bearing interest 2.15%, maturing December 2019 | \$ 200,000 | \$ - |
| Cash to invest | - | 185 |
| Mutual funds | - | 270,623 |
| | <u>\$ 200,000</u> | <u>\$ 270,808</u> |

4. Accounts receivable

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

5. Advance receivable

In 2015, the Association advanced \$50,000 to Discovery Ridge Community Association (DRCA) as part of its commitment to share in the cost of developing the DRCA Park. The funds are being held by the DRCA until such time that the installation of the landscaping feature commences. In June 2017, the DRCA engaged the services of ULS Maintenance & Landscaping Inc. to undertake a landscaping project within the DRCA Park. The advance receivable was reduced to \$nil (2017: \$26,317) in 2018 by the cost of the project undertaken by the DRCA.

6. Property and equipment

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.
