

NEW DISCOVERY HOMEOWNERS ASSOCIATION

Financial Statements

For the year ended December 31, 2011

New Discovery Homeowners Association
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For the year ended December 31, 2011

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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 are comprised of the statement of financial position as at December 31, 2011, and the statements of operations, 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 generally accepted accounting principles 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Certified General Accountants

April 16, 2012
Calgary, Alberta, Canada

New Discovery Homeowners Association
Statement of Financial Position
As at December 31, 2011

	2011	2010
ASSETS		
Current		
Cash	\$ 15,988	\$ 683,770
Short term investments	250,002	-
Accounts receivable (note 3)	31,551	35,222
Prepaid expenses	1,978	1,663
	<u>299,519</u>	<u>720,655</u>
Long term investments (note 4)	500,029	-
Property (note 5)	1	1
	<u>\$ 799,549</u>	<u>\$ 720,656</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 23,907	\$ 36,825
Unearned revenue	459	950
	<u>24,366</u>	<u>37,775</u>
Net assets		
Unrestricted	<u>775,183</u>	<u>682,881</u>
	<u>\$ 799,549</u>	<u>\$ 720,656</u>

Approved 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, 2011

	2011	2010
Revenue		
Association fees	\$ 490,146	\$ 487,940
Municipal funding		
Operating grant	19,954	19,954
Interest income	6,907	8,860
Interest on late payments	4,823	4,745
	<u>521,830</u>	<u>521,499</u>
Expenses		
Non-recurring expenses		
Entrance median project	29,851	78,173
Removal of willows	-	12,272
	<u>29,851</u>	<u>90,445</u>
Operating expenses		
Landscaping - contract	333,848	354,874
Landscaping - other charges	35,482	19,848
Winter lights	5,304	6,287
Enmax	2,764	1,892
Pump repairs	506	370
	<u>377,904</u>	<u>383,271</u>
Administrative expenses		
Merchant services charges	6,539	5,091
Homeowner communication costs	4,303	4,316
Auditing fees	4,140	3,518
Legal fees	1,454	3,388
Insurance	1,299	1,291
Alberta land title fees	1,515	1,270
Telephone	945	945
Postage	173	315
Mailbox rental	315	274
Office supplies	207	252
Property tax	883	223
Bank charges	-	24
	<u>21,773</u>	<u>20,907</u>
	<u>429,528</u>	<u>494,623</u>
Excess of revenue over expenses	92,302	26,876
Unrestricted Net Assets, Beginning of year	<u>682,881</u>	<u>656,005</u>
Unrestricted Net Assets, End of year	\$ 775,183	\$ 682,881

New Discovery Homeowners Association
Statement of Cash Flows
For the year ended December 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Cash receipts from members	\$ 498,149	\$ 501,426
Interest received	6,907	8,860
Grants received	19,954	19,954
Cash paid to suppliers	(442,761)	(475,849)
Cash flow from operating activities	<u>82,249</u>	<u>54,391</u>
INVESTING ACTIVITIES		
Purchase of short term investment	(250,002)	-
Purchase of long-term investment	(500,029)	-
Cash flow from investing activities	<u>(750,031)</u>	<u>-</u>
DECREASE IN CASH	(667,782)	54,391
Cash, beginning of the year	<u>683,770</u>	<u>629,379</u>
Cash, end of year	\$ 15,988	\$ 683,770

New Discovery Homeowners Association
Notes to the Financial Statements
For the year ended December 31, 2011

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. 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 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)(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 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 all phases are now complete, this allowance has been eliminated. Actual results could differ from these estimates.

d) Financial instruments

Financial assets are classified as held for trading and carried at their fair value. Unrealized gains and losses on trading assets are recognized as part of the excess of revenue over expenses. Financial liabilities are carried at cost. The fair value of these financial instruments is based on current interest rates, market values, and pricing of financial instruments with comparative terms.

New Discovery Homeowners Association
Notes to the Financial Statements
For the year ended December 31, 2011

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. INVESTMENT

	<u>2011</u>	<u>2010</u>
<u>Long term investment</u>		
Guaranteed investment certificates with maturity dates greater than one year from the date of acquisition, bearing interest rate range from 2.05% to 2.25%.	\$ 500,029	\$ -

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

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.

7. COMPARATIVE FIGURES

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