

**NEW DISCOVERY HOMEOWNERS ASSOCIATION**

**Financial Statements**

**December 31, 2019**

**NEW DISCOVERY HOMEOWNERS ASSOCIATION**  
**Financial Statements**  
**December 31, 2019**

**NEW DISCOVERY HOMEOWNERS ASSOCIATION**  
**Index to Financial Statements**  
**For the Year Ended December 31, 2019**

---

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 7



Tel: 403 266 5608  
Fax: 403 233 7833  
www.bdo.ca

BDO Canada LLP  
903 - 8<sup>th</sup> Avenue SW, Suite 620  
Calgary AB T2P 0P7  
Canada

---

## INDEPENDENT AUDITOR'S REPORT

---

To the Board of Directors 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, 2019, and the statements of operations and 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, 2019 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.

### 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 Board of Directors 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 Association 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*

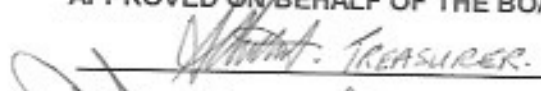

Chartered Professional Accountants

Calgary, Alberta  
May 19, 2020

NEW DISCOVERY HOMEOWNERS ASSOCIATION  
 Statement of Financial Position  
 As at December 31, 2019

	2019	2018
<b>Assets</b>		
Current		
Cash	\$ 135,858	\$ 94,480
Short term investments (Note 3)	-	200,000
Accounts receivable (Note 4)	48,555	66,374
Interest receivable	141	884
Prepaid expenses	1,970	1,989
	<u>186,524</u>	<u>363,727</u>
Property and equipment (Note 5)	1	1
Long term investments (Note 3)	<u>205,022</u>	<u>-</u>
	<u>\$ 391,547</u>	<u>\$ 363,728</u>
<b>Liabilities and Net assets</b>		
Current		
Accounts payable and accrued liabilities	\$ 7,512	\$ 19,675
Deferred revenue	<u>3,864</u>	<u>-</u>
	11,376	19,675
Net assets	<u>380,171</u>	<u>344,053</u>
	<u>\$ 391,547</u>	<u>\$ 363,728</u>
Subsequent event (Note 7)		

APPROVED ON BEHALF OF THE BOARD

 TREASURER Director  
 PRESIDENT Director

**NEW DISCOVERY HOMEOWNERS ASSOCIATION**  
**Statement of Operations and Changes in Net Assets**  
**For the Year Ended December 31, 2019**

	2019	2018
<b>Revenue</b>		
Association fees	\$ 506,536	\$ 494,400
Municipal funding	30,175	31,243
Interest on late payments	5,635	2,980
Interest income	4,280	2,194
	<u>546,626</u>	<u>530,817</u>
<b>Expenses</b>		
Non-recurring expenses		
Median re-landscaping	72,703	10,129
DRCA Park	-	26,317
	<u>72,703</u>	<u>36,446</u>
Operating expenses		
Landscaping - contract	326,926	358,731
Landscaping - other charges	55,963	66,296
Pump repairs	15,805	254
Winter lights	6,922	7,950
Enmax	1,914	2,390
	<u>407,530</u>	<u>435,621</u>
Administrative expenses		
Accounting fees	13,151	7,001
Merchant services charges	9,975	10,264
Insurance	1,924	1,585
Homeowner communication costs	1,932	4,140
Telephone	1,738	998
Postage	516	-
Legal fees	502	569
Mailbox rental	415	396
Office supplies	97	-
Bank charges	25	98
Alberta land title fees	-	470
	<u>30,275</u>	<u>25,521</u>
	<u>510,508</u>	<u>497,588</u>
<b>Excess of revenue over expenses</b>	<b>36,118</b>	<b>33,229</b>
Unrestricted net assets - beginning of year	<u>344,053</u>	<u>310,824</u>
<b>Unrestricted net assets - end of year</b>	<b>\$ 380,171</b>	<b>\$ 344,053</b>

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, 2019**

	2019	2018
<b>Operating activities</b>		
Cash receipts from members	\$ 530,732	\$ 451,808
Cash paid to suppliers	(518,787)	(490,113)
Interest received	4,280	2,193
Municipal funding	30,175	31,242
	<u>46,400</u>	<u>(4,870)</u>
<b>Investing activity</b>		
Redemption (purchase) of short term investments	<u>(5,022)</u>	70,808
<b>Increase in cash flow</b>	<b>41,378</b>	<b>65,938</b>
Cash - beginning of year	<u>94,480</u>	<u>28,542</u>
<b>Cash - end of year</b>	<b><u>\$ 135,858</u></b>	<b><u>\$ 94,480</u></b>

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



## NEW DISCOVERY HOMEOWNERS ASSOCIATION

### Notes to Financial Statements

Year Ended December 31, 2019

---

#### 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 deferred revenue.

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

##### 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.

##### 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.

Financial assets are tested for impairment when changes in circumstances indicate that the asset could be impaired. Transaction costs on the acquisition and sale of financial instruments are expensed for those items re-measured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

---

## NEW DISCOVERY HOMEOWNERS ASSOCIATION

### Notes to Financial Statements

Year Ended December 31, 2019

---

#### 3. Investments

	2019	2018
GIC bearing interest 2.15%, maturing February 2021	\$ 205,022	\$ 200,000
Accrued interest	141	884
	<u>\$ 205,163</u>	<u>\$ 200,884</u>

---

#### 4. Accounts receivable

Accounts receivable consist mainly of association fees, which are secured by an annual charge of \$307 on the title of each residential unit constructed in the New Discovery subdivision.

---

#### 5. 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.

---

#### 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.

(a) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Association's credit risk is primarily related to its accounts receivable and cash. The accounts receivable represents annual charges not collected from members. The risk is mitigated due to the fact that the Association takes legal action on overdue accounts and places a lien on the property of the member and will collect the annual charge upon sale of the home if the member chooses not to pay the annual charge. The Association also has a growing membership which reduces the concentration of credit risk. The credit risk on cash is limited because the counterparty is a major Canadian financial institution.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial obligations, including the risk the Association will not have sufficient funds to settle a transaction on the due date. The Association is exposed to this risk in respect of its accounts payable and accrued liabilities.

---

#### 7. Subsequent events

The global pandemic has disrupted economic activities. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration disruption and the related financial impact cannot be reasonably estimated at this time. Management is currently assessing the impact this may have on the Association's 2020 operations.

---