

NEW DISCOVERY HOMEOWNERS ASSOCIATION

Financial Statements

Year Ended December 31, 2014

NEW DISCOVERY HOMEOWNERS ASSOCIATION
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Year Ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Members of New Discovery Homeowners Association

We have audited the accompanying financial statements of New Discovery Homeowners Association, which comprise the statement of financial position as at December 31, 2014 and the statements of operations and 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 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.

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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta
May 19, 2015

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NEW DISCOVERY HOMEOWNERS ASSOCIATION
Statement of Financial Position
As at December 31, 2014

	2014	2013
Assets		
Current		
Cash	\$ 64,453	\$ 48,496
Short term investments (Note 3)	712,342	702,201
Accounts receivable (Note 4)	28,070	32,472
Prepaid expenses	1,860	36,729
	<u>806,725</u>	819,898
Property (Note 5)	<u>1</u>	1
	<u>\$ 806,726</u>	\$ 819,899
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 160,754	\$ 24,541
Net Assets		
Unrestricted	<u>645,972</u>	795,358
	<u>\$ 806,726</u>	\$ 819,899

Approved on behalf of the Board

 _____ Director

 _____ Director

NEW DISCOVERY HOMEOWNERS ASSOCIATION
Statement of Operations and Changes in Net Assets
Year Ended December 31, 2014

	2014	2013
Revenue		
Association fees	\$ 494,400	\$ 490,500
Contributions (Note 6)	35,000	-
Municipal funding	20,553	20,553
Interest income	11,519	14,104
Interest on late payments	4,528	3,939
	<u>566,000</u>	<u>529,096</u>
Expenses		
Non-recurring expenses		
Median re-landscaping	298,297	-
Discovery Vista Point (Note 6)	37,075	-
Community gardens	768	936
Remediation projects	-	36,801
	<u>336,140</u>	<u>37,737</u>
Operating expenses		
Landscaping - contract	298,934	305,785
Landscaping - other charges	43,415	73,380
Winter lights	10,554	9,747
Enmax	2,486	2,164
	<u>355,389</u>	<u>391,076</u>
Administrative expenses		
Merchant services charges	9,007	7,778
Homeowner communication costs	5,140	4,698
Auditing fees	5,025	4,973
Alberta land title fees	1,370	1,410
Insurance	1,370	1,304
Telephone	998	998
Legal fees	368	2,768
Mailbox rental	333	315
Postage	201	166
Bank charges	24	27
Office supplies	21	63
	<u>23,857</u>	<u>24,500</u>
	<u>715,386</u>	<u>453,313</u>
Excess (deficiency) of revenue over expenses	(149,386)	75,783
Unrestricted net assets - beginning of year	<u>795,358</u>	<u>719,575</u>
Unrestricted net assets - end of year	\$ 645,972	\$ 795,358

NEW DISCOVERY HOMEOWNERS ASSOCIATION
Statement of Cash Flows
Year Ended December 31, 2014

	2014	2013
Operating activities		
Cash receipts from members	\$ 503,331	\$ 487,086
Grants received	20,552	20,552
Interest received	11,519	14,104
Contributions received	35,000	-
Cash paid to suppliers	<u>(544,303)</u>	<u>(492,497)</u>
Cash flow from operating activities	<u>26,099</u>	<u>29,245</u>
Investing activity		
Redemption (purchase) of short term investments	<u>(10,142)</u>	<u>(13,114)</u>
Increase in cash	15,957	16,131
Cash - beginning of year	<u>48,496</u>	<u>32,365</u>
Cash - end of year	<u>\$ 64,453</u>	<u>\$ 48,496</u>

NEW DISCOVERY HOMEOWNERS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2014

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 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

Association dues are recognized as income in the fiscal period to which they relate. Payments received in advance are reported as unearned revenue.

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 for not-for-profit organizations 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. Actual results could differ from those estimates.

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NEW DISCOVERY HOMEOWNERS ASSOCIATION
Notes to Financial Statements
Year Ended December 31, 2014

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.

The financial assets measured at amortized cost include cash, guaranteed investment certificates and accounts receivable. The financial liabilities measured at amortized cost include accounts payable.

3. Investments

	<u>2014</u>	<u>2013</u>
<u>Short term investments</u>		
Cash to invest	\$ 267,168	\$260,452
Guaranteed investment certificates maturing December 29, 2014, bearing interest between 2.20% and 2.25%.	-	261,347
Mutual Funds	445,174	180,401
	<u>\$ 712,342</u>	<u>\$702,201</u>

4. 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.

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.

NEW DISCOVERY HOMEOWNERS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2014

6. Contributions

At its June 2013 AGM, the membership voted in favor of a motion that resulted in the NDHA registering its Encumbrance on title to 11 of the 15 properties that were part of the Discovery Vista Point development within Discovery Ridge. On condition that the Discovery Vista Point homeowners join the NDHA, or form a homeowners association of their own, the Developer of the former Griffith Estate lands agreed to contribute a sum total of \$35,000 towards the provision for landscaping improvements to the island at the end of the cul-de-sac as well as replacement of the existing wood fence along the pathway with a black chain link fence in conformity with the guidelines for fencing that was in place for the entire community. Once the NDHA completed the process of registering its Encumbrance on title of 11 of the 15 properties, the NDHA undertook to manage the landscaping project and fence replacement incurring costs totalling \$37,075. In addition to the expenditures incurred to complete the project, the NDHA has committed to providing for a maximum of \$3,000 to be paid to each of the two homeowners whose properties are adjacent to the pathway as reimbursement for plants and shrubs that they will purchase in order to provide for some privacy from the public pathway. The homeowners will have until October 31, 2015 to submit their request for reimbursement of eligible expenses incurred by them up to the maximum of \$3,000.

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.

8. Comparative figures

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