

New Discovery Homeowners Association
Financial Statements
For the year ended December 31, 2020

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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, 2020, 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, 2020, 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Association and the Board of Directors 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 to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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:



Independent Auditor's Report (continued)

- ♦ 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 the 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, 2021

New Discovery Homeowners Association Statement of Financial Position

December 31	2020	2019
Assets		
Current		
Cash	\$ 241,081	\$ 135,858
Short term investments (Note 3)	209,328	-
Accounts receivable (Note 2)	33,860	48,555
Interest receivable	141	141
Prepaid expenses	4,487	1,970
	488,897	186,524
Long-term investments (Note 3)	-	205,022
Property and equipment (Note 4)	1	1
	\$ 488,898	\$ 391,547

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 22,902	\$ 7,512
Unearned revenue	10,651	3,864
	33,553	11,376
Net assets	455,345	380,171
	\$ 488,898	\$ 391,547

Commitments (Note 6)

Approved on behalf of the Board:

_____, Director

_____, Director

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

New Discovery Homeowners Association Statement of Operations and Changes in Net Assets

For the year ended December 31	2020	2019
Revenue		
Association fees	\$ 505,936	\$ 506,536
Municipal funding	30,865	30,175
Interest income	4,345	4,280
Interest on late payments	2,121	5,635
	543,267	546,626
Expenses		
Non-recurring expenses		
Remediation projects	49,117	-
Garbage cans	6,190	-
Benches	4,956	-
Waterfall remediation work	1,564	3,966
Median re-landscaping	-	68,737
	61,827	72,703
Operating expenses		
Landscaping - contract	355,761	326,926
Landscaping - other charges	5,563	55,963
Winter lights	3,671	6,922
Landscaping - watering	3,045	-
Enmax	2,287	1,914
General	537	-
Pump repairs	-	15,805
	370,864	407,530
Administrative expenses		
Accounting fees	14,047	13,151
Merchant services charges	11,991	9,975
Web management & telephone	2,836	1,738
Insurance	1,735	1,924
Homeowner communication	1,258	1,932
Legal fees	1,220	502
Storage rental	1,150	-
Mailbox rental	622	415
Postage	583	516
Office supplies	141	97
Bank charges	(181)	25
	35,402	30,275
	468,093	510,508
Excess of revenue over expenses for the year	75,174	36,118
Unrestricted net assets, beginning of year	380,171	344,053
Unrestricted net assets, end of year	\$ 455,345	\$ 380,171

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	2020	2019
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 75,174	\$ 36,118
Change in non-cash working capital items		
Decrease (increase) in short term investments	(209,328)	200,000
Decrease in accounts receivable	14,695	17,819
Decrease in interest receivable	-	743
Decrease (increase) in prepaid expenses	(2,517)	19
Increase (decrease) in accounts payable and accrued liabilities	15,390	(12,133)
Increase in unearned revenue	6,787	3,864
Decrease in GST payable	-	(30)
	(99,799)	246,400
Cash flows from investing activity		
Decrease (increase) in long-term investments	205,022	(205,022)
Increase in cash during the year	105,223	41,378
Cash, beginning of year	135,858	94,480
Cash, end of year	\$ 241,081	\$ 135,858

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

New Discovery Homeowners Association

Notes to the Financial Statements

December 31, 2020

1. Summary of significant accounting policies

Nature of operations

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.

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 account policies summarized below.

Revenue recognition

The Association uses the deferral method of accounting for contributions. Association dues are recognized as revenue in the year to which they relate. Deferred revenues includes membership fees that arise from receipt of payments in advance of the period in which they were earned.

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

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 amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

New Discovery Homeowners Association Notes to the Financial Statements

December 31, 2020

1. Summary of significant accounting policies (continued)

Financial instruments

The Association initially measures its financial assets and 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.

2. Accounts receivable

Accounts receivable consist mainly of association fees, which are secured by an annual charge of \$307 (2019 - \$307) on the title of each residential unit constructed in the New Discovery subdivision.

3. Investments

	<u>2020</u>	<u>2019</u>
GIC bearing interest 2.10% (2019 - 2.15%), maturing February 2021	\$ 209,328	\$ 205,022

4. 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.

5. 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 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.

New Discovery Homeowners Association Notes to the Financial Statements

December 31, 2020

6. Commitments

The Association is has a contract with a third party to provide maintenance, landscaping, and snow removal service until March of 2025 with two one year renewal options. The contract can be terminated with a 30 day notice.

7. COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", resulted in worldwide emergency measures which have caused disruptions to businesses globally resulting in an economic slowdown. The duration and long-term impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length or effects of these developments, including the impact on the financial results of the Association in future periods. Specific impacts to the Association include increased social distancing measures and sanitation.

8. Reclassification of prior year balances

Certain comparative figures have been reclassified to conform with the current year's presentation. This reclassification has no effect on the prior year excess of revenue over expenses.
