

NEW DISCOVERY HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS

December 31, 2021



Tel: 403-266-5608
Fax: 403-233-7833
Toll-free: 1-888-444-4840
www.bdo.ca

BDO Canada LLP
620, 903 - 8th Avenue SW
Calgary AB T2P 0P7

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, 2021, and the statement 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, 2021, 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 organization.

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 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 to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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:

- 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 5, 2022

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

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash	\$ 183,217	\$ 241,081
Short term investments (Note 3)	-	209,328
Accounts receivable (Note 2)	38,299	33,860
Interest receivable	-	141
Prepaid expenses	7,669	4,487
	<u>229,185</u>	<u>488,897</u>
Long term investments (Note 3)	209,346	-
Property and equipment (Note 4)	<u>1</u>	<u>1</u>
	\$ 438,532	\$ 488,898
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 44,624	\$ 22,902
Unearned revenue	3,327	10,651
	<u>47,951</u>	<u>33,553</u>
NET ASSETS	<u>390,581</u>	<u>455,345</u>
	\$ 438,532	\$ 488,898

Commitments (Note 6)

Approved on behalf of the board:

_____, Director

_____, Director

NEW DISCOVERY HOMEOWNERS ASSOCIATION
Statement of Operations
For the year ended December 31

	<u>2021</u>	<u>2020</u>
REVENUE		
Association fees	\$ 506,550	\$ 505,936
Municipal funding	29,495	30,865
Interest on late payments	3,429	2,121
Interest income	94	4,345
	<u>539,568</u>	<u>543,267</u>
EXPENSES		
Non-recurring expenses		
Median re-landscaping	125,000	-
Garbage cans	5,502	6,190
Irrigation work	2,526	-
Remediation projects	-	49,117
Benches	-	4,956
Waterfall remediation work	-	1,564
	<u>133,028</u>	<u>61,827</u>
Operating expenses		
Landscaping - contract	356,921	355,761
Landscaping - other charges	45,843	5,563
Enmax	2,748	2,287
General	210	537
Winter lights	-	3,671
Landscaping - watering	-	3,045
	<u>405,722</u>	<u>370,864</u>
Administrative expenses		
Legal fees	38,131	1,220
Merchant services charges	10,242	11,991
Accounting fees	9,675	14,047
Office expenses	2,519	2,315
Insurance	2,037	1,735
Homeowner communication	1,928	1,258
Web management & telephone	1,050	2,836
	<u>65,582</u>	<u>35,402</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(64,764)	75,174
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>455,345</u>	<u>380,171</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u><u>\$ 390,581</u></u>	<u><u>\$ 455,345</u></u>

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

	<u>2021</u>	<u>2020</u>
NET INFLOW OF CASH RELATED TO:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	\$ (64,764)	\$ 75,174
Change in non-cash working capital items		
Decrease (increase) in short term investments	209,328	(209,328)
(Increase) decrease in accounts receivable	(4,298)	14,695
Increase in prepaid expenses	(3,182)	(2,517)
Increase in accounts payable and accrued liabilities	21,722	15,390
Increase (decrease) in unearned revenue	(7,324)	6,787
	<u>151,482</u>	<u>(99,799)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in long term investments	<u>(209,346)</u>	<u>205,022</u>
(DECREASE) INCREASE IN CASH DURING THE YEAR	(57,864)	105,223
CASH, BEGINNING OF YEAR	<u>241,081</u>	<u>135,858</u>
CASH, END OF YEAR	<u><u>\$ 183,217</u></u>	<u><u>\$ 241,081</u></u>

NEW DISCOVERY HOMEOWNERS ASSOCIATION
Notes to the Financial Statements
December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

a) 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/or assumed the operations 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.

b) 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.

c) 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.

d) 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, liabilities, 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.

e) 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.

NEW DISCOVERY HOMEOWNERS ASSOCIATION
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2. Accounts Receivable

Accounts receivable consist mainly of association fees, which are secured by an annual charge of \$307 (2020 - \$307) on the title of each residential unit constructed in the New Discovery subdivision as defined by the Lands boundaries set out in Paragraph 2 of the NDHA Articles of Association.

3. Investments

	2021	2020
GIC bearing interest 0.05% (2020 - 2.10%), maturing March 2024	\$ 209,346	\$ 209,328

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

The Association, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments; credit risk and liquidity risk. There have been no significant changes in these risks since the prior year. The risks and related management strategies are discussed below:

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. Legal counsel issues a Demand Letter, on behalf of the Association, stating the amount overdue, administrative and legal costs incurred, and that foreclosure action will be commenced if payment of arrears and cost is not made within a reasonable period. 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.

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6. Commitments

The Association 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.