

**NEW DISCOVERY HOMEOWNERS ASSOCIATION**

**Financial Statements**

**December 31, 2012**

**New Discovery Homeowners Association**  
**Index to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2012**

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## INDEPENDENT AUDITOR'S REPORT

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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 comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations and changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011, in accordance with Canadian accounting standards for not-for-profit organizations.



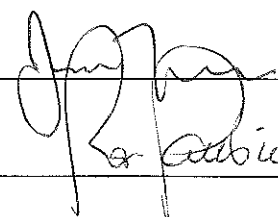
Certified General Accountants

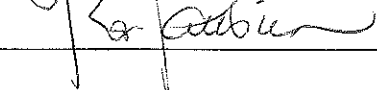
April 15, 2013  
Calgary, Alberta, Canada

**New Discovery Homeowners Association**  
**Statements of Financial Position**  
**As at December 31, 2011 and 2012 and January 1, 2011**

|                                          | 2012              | 2011              | January 1,<br>2011 |
|------------------------------------------|-------------------|-------------------|--------------------|
| <b>ASSETS</b>                            |                   |                   |                    |
| <b>Current</b>                           |                   |                   |                    |
| Cash                                     | \$ 32,365         | \$ 15,988         | \$ 683,770         |
| Short term investments (note 5)          | 50,922            | 250,002           | -                  |
| Accounts receivable (note 4)             | 25,170            | 31,551            | 35,222             |
| Prepaid expenses                         | 1,663             | 1,978             | 1,663              |
|                                          | <u>110,120</u>    | <u>299,519</u>    | <u>720,655</u>     |
| <b>Long term investments (note 5)</b>    | <b>638,164</b>    | <b>500,029</b>    | <b>-</b>           |
| <b>Property (note 6)</b>                 | <b>1</b>          | <b>1</b>          | <b>1</b>           |
|                                          | <u>\$ 748,285</u> | <u>\$ 799,549</u> | <u>\$ 720,656</u>  |
| <b>LIABILITIES AND NET ASSETS</b>        |                   |                   |                    |
| <b>Current liabilities</b>               |                   |                   |                    |
| Accounts payable and accrued liabilities | \$ 28,660         | \$ 23,907         | \$ 36,825          |
| Unearned revenue                         | 50                | 459               | 950                |
|                                          | <u>28,710</u>     | <u>24,366</u>     | <u>37,775</u>      |
| <b>Net assets</b>                        |                   |                   |                    |
| Unrestricted                             | <u>719,575</u>    | <u>775,183</u>    | <u>682,881</u>     |
|                                          | <u>\$ 748,285</u> | <u>\$ 799,549</u> | <u>\$ 720,656</u>  |

Approved on behalf of the Board:

Director:  \_\_\_\_\_

Director:  \_\_\_\_\_

**New Discovery Homeowners Association**  
**Statements of Operations and Changes in Net Assets**  
**For the Years Ended December 31, 2011 and 2012**

|                                                     | 2012              | 2011              |
|-----------------------------------------------------|-------------------|-------------------|
| <b>Revenue</b>                                      |                   |                   |
| Association fees                                    | \$ 489,900        | \$ 490,146        |
| Municipal funding                                   | 20,553            | 19,954            |
| Interest income                                     | 15,562            | 6,907             |
| Interest on late payments                           | 4,146             | 4,823             |
|                                                     | <u>530,161</u>    | <u>521,830</u>    |
| <b>Expenses</b>                                     |                   |                   |
| Non-recurring expenses                              |                   |                   |
| Capital plan projects                               | 168,806           | -                 |
| New trees                                           | 18,254            | -                 |
| Winter lights                                       | 1,169             | -                 |
| Entrance median project                             | -                 | 29,851            |
|                                                     | <u>188,229</u>    | <u>29,851</u>     |
| Operating expenses                                  |                   |                   |
| Landscaping - contract                              | 281,976           | 333,848           |
| Landscaping - other charges                         | 63,182            | 35,482            |
| Bench repairs                                       | 18,533            | -                 |
| Winter lights                                       | 7,196             | 5,304             |
| Enmax                                               | 2,778             | 2,764             |
| Pump repairs                                        | 341               | 506               |
|                                                     | <u>374,006</u>    | <u>377,904</u>    |
| Administrative expenses                             |                   |                   |
| Merchant services charges                           | 6,558             | 6,539             |
| Auditing fees                                       | 4,398             | 4,140             |
| Homeowner communication costs                       | 4,329             | 4,303             |
| Legal fees                                          | 2,632             | 1,454             |
| Alberta land title fees                             | 1,760             | 1,515             |
| Insurance                                           | 1,299             | 1,299             |
| Telephone                                           | 998               | 945               |
| Property tax                                        | 920               | 883               |
| Mailbox rental                                      | 315               | 315               |
| Office supplies                                     | 235               | 207               |
| Postage                                             | 65                | 173               |
| Bank charges                                        | 25                | -                 |
|                                                     | <u>23,534</u>     | <u>21,773</u>     |
|                                                     | <u>585,769</u>    | <u>429,528</u>    |
| <b>(Deficiency) excess of revenue over expenses</b> | <b>(55,608)</b>   | <b>92,302</b>     |
| <b>Unrestricted net assets, beginning of year</b>   | <b>775,183</b>    | <b>682,881</b>    |
| <b>Unrestricted net assets, end of year</b>         | <b>\$ 719,575</b> | <b>\$ 775,183</b> |

**New Discovery Homeowners Association**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2011 and 2012**

|                                                | 2012             | 2011             |
|------------------------------------------------|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>                    |                  |                  |
| Cash receipts from members                     | \$ 500,018       | \$ 498,149       |
| Grants received                                | 20,553           | 19,954           |
| Interest received                              | 15,562           | 6,907            |
| Cash paid to suppliers                         | (580,701)        | (442,761)        |
| Cash flow from operating activities            | <u>(44,568)</u>  | <u>82,249</u>    |
| <b>INVESTING ACTIVITIES</b>                    |                  |                  |
| Redemption (purchase) of short term investment | 199,080          | (250,002)        |
| Purchase of long-term investment               | (138,135)        | (500,029)        |
| Cash flow from investing activities            | <u>60,945</u>    | <u>(750,031)</u> |
| <b>Increase (decrease) in cash</b>             | <b>16,377</b>    | <b>(667,782)</b> |
| Cash, beginning of year                        | <u>15,988</u>    | <u>683,770</u>   |
| <b>Cash, end of year</b>                       | <b>\$ 32,365</b> | <b>\$ 15,988</b> |

**New Discovery Homeowners Association**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2012**

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**1. DESCRIPTION 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.

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**2. IMPACT OF THE CHANGES IN THE BASIS OF ACCOUNTING**

Effective January 1, 2012, the Association adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations. These are the Association's first financial statements prepared in accordance with these accounting standards, which has been applied retrospectively. The accounting policies set out in the following significant accounting policy note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening statement of financial position as at January 1, 2011 (the Association's date of transition).

The Association issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting XFI. The adoption of Canadian accounting standards for not-for-profit organizations had no impact on the Association's excess of revenues over expenses for the year ended December 31, 2011 or on the net assets as at January 1, 2011, the date of transition. Certain of the Association's disclosures included in these financial statements reflect the new disclosure requirements of Canadian accounting standards for not-for-profit organizations.

Note that the Association's 2012 statement of financial position is three columns: December 31, 2012, December 31, 2011 and January 1, 2011. The balances for the January 1, 2011 statement of financial position are the same as those shown for December 31, 2010 because there were no transitional adjustments to these numbers.

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**3. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CICA 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:

**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.

*(Continue.../)*

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**New Discovery Homeowners Association**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2012**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continue.../)**

**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 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.

**d) 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 and accrued liabilities.

**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. INVESTMENTS**

**Short term investments**

Guaranteed investment certificates with maturity dates less than one year from the date of acquisition, bearing an interest rate of 1.8%.

| <b>2012</b>      | <b>2011</b>       |
|------------------|-------------------|
| <b>\$ 50,922</b> | <b>\$ 250,002</b> |

**Long term investments**

High interest yield guaranteed investment certificates, bearing a 1.25% rate of interest.

|                   |             |
|-------------------|-------------|
| <b>\$ 127,330</b> | <b>\$ -</b> |
|-------------------|-------------|

Guaranteed investment certificates with maturity dates greater than one year from the date of acquisition, bearing an interest rates ranging from 2.05% to 2.25%.

|                   |                   |
|-------------------|-------------------|
| <b>510,834</b>    | <b>500,029</b>    |
| <b>\$ 638,164</b> | <b>\$ 500,029</b> |



**New Discovery Homeowners Association**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2012**

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**6. 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.

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**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.

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**8. COMPARATIVE FIGURES**

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

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