

NEW DISCOVERY HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS

December 31, 2023



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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, 2023, 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, 2023, 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

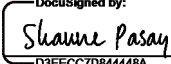
May 16, 2024

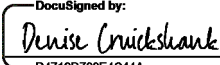
NEW DISCOVERY HOMEOWNERS ASSOCIATION
Statement of Financial Position
As at December 31

	2023	2022
CURRENT ASSETS		
Cash	\$ 308,805	\$ 261,207
Accounts receivable (Note 2)	24,531	27,310
Prepaid expenses	2,013	1,964
Short term investments (Note 3)	209,346	-
	<u>544,695</u>	<u>290,481</u>
Long term investments (Note 3)	-	209,346
Property and equipment (Note 4)	<u>1</u>	<u>1</u>
	\$ 544,696	\$ 499,828
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 21,213	\$ 12,158
Unearned revenue	2,617	1,305
	<u>23,830</u>	<u>13,463</u>
NET ASSETS	<u>520,866</u>	<u>486,365</u>
	\$ 544,696	\$ 499,828

Commitments (Note 6)

Approved on behalf of the board:

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

	<u>2023</u>	<u>2022</u>
REVENUE		
Association fees	\$ 535,600	\$ 506,550
Municipal funding	31,400	30,865
Interest on late payments	1,882	1,323
	<u>568,882</u>	<u>538,738</u>
EXPENSES		
Non-recurring expenses		
Remediation projects	65,000	26,900
Garbage cans	2,699	-
Irrigation work	2,371	1,969
	<u>70,070</u>	<u>28,869</u>
Operating expenses		
Landscaping - contract	351,357	336,686
Landscaping - other charges	37,792	8,450
Winter lights	20,065	8,692
Landscaping - watering	5,908	11,529
Enmax	3,139	3,200
	<u>418,261</u>	<u>368,557</u>
Administrative expenses		
Accounting fees	16,472	17,147
Merchant services charges	13,113	10,336
Web management & telephone	8,041	6,930
Office expenses	3,803	3,951
Insurance	2,142	2,101
Homeowner communication	1,757	1,739
Legal fees	722	3,324
	<u>46,050</u>	<u>45,528</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	34,501	95,784
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>486,365</u>	<u>390,581</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u><u>\$ 520,866</u></u>	<u><u>\$ 486,365</u></u>

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

	<u>2023</u>	<u>2022</u>
NET INFLOW OF CASH RELATED TO:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses for the year	\$ 34,501	\$ 95,784
Change in non-cash working capital items		
Accounts receivable	2,779	10,989
Prepaid expenses	(49)	5,705
Accounts payable and accrued liabilities	9,055	(32,466)
Unearned revenue	1,312	(2,022)
	<u>47,598</u>	<u>77,990</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	47,598	77,990
CASH, BEGINNING OF YEAR	<u>261,207</u>	<u>183,217</u>
CASH, END OF YEAR	<u>\$ 308,805</u>	<u>\$ 261,207</u>

NEW DISCOVERY HOMEOWNERS ASSOCIATION
Notes to the Financial Statements
December 31, 2023

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 accounting 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. Unearned revenues includes membership fees that arise from receipt of payments in advance of the period in which they relate to.

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

NEW DISCOVERY HOMEOWNERS ASSOCIATION

Notes to the Financial Statements

December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial Instruments

(i) Measurement of financial instruments

The Association initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate. The Association subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income in the period incurred. Financial assets measured at amortized cost on a straight-line basis include cash, and accounts receivable. Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities.

(ii) Impairment

For financial assets measured at cost or amortized cost, the Association determines whether there are indications of possible impairment. When there is an indication of impairment, and the Association determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

(iii) Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the straight-line method.

2. Accounts Receivable

Accounts receivable consist mainly of association fees, which are secured by an annual charge of \$325 (2022 - \$307) on the title of each residential unit constructed in the New Discovery subdivision as defined by the land boundaries set out in Paragraph 2 of the NDHA Articles of Association.

3. Investments

	<u>2023</u>	<u>2022</u>
GIC bearing interest 0.051% (2022 - 0.051%), maturing March 24, 2024.	<u>\$ 209,346</u>	<u>\$ 209,346</u>

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.

NEW DISCOVERY HOMEOWNERS ASSOCIATION
Notes to the Financial Statements
December 31, 2023

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.

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.