

**Springbank Hill
Homeowners Association
Financial Statements
For the year ended December 31, 2002**

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Auditors' Report

**To the Owners of
Springbank Hill Homeowners Association**

We have audited the statement of financial position of Springbank Hill Homeowners Association as at December 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Springbank Hill Homeowners Association as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The previous year's financial statements were audited by another firm of Chartered Accountants who issued their unqualified report on September 3, 2002.

BDO Dunwoody LLP

Chartered Accountants

Calgary, Alberta
September 4, 2003

Springbank Hill Homeowners Association
Statement of Financial Position

December 31

2002

2001

Assets

Current

| | | |
|---------------------|---------------|---------------|
| Cash | \$ 22,726 | \$ 20,235 |
| Accounts receivable | <u>7,368</u> | <u>26,425</u> |
| | <u>30,094</u> | <u>46,660</u> |

Capital asset

| | | |
|-------------------------------|------------------|------------------|
| Fence | 2,531 | - |
| Less accumulated amortization | <u>(253)</u> | <u>-</u> |
| | <u>2,278</u> | <u>-</u> |
| | <u>\$ 32,372</u> | <u>\$ 46,660</u> |

Liabilities and Fund Balances

Current

| | | |
|--|--------------|--------------|
| Accounts payable and accrued liabilities | \$ 2,000 | \$ 2,000 |
| Deferred contributions | <u>-</u> | <u>2,160</u> |
| | <u>2,000</u> | <u>4,160</u> |

Net assets

| | | |
|---------------------------------------|------------------|------------------|
| Net assets invested in capital assets | 2,278 | - |
| Unrestricted net assets | <u>28,094</u> | <u>42,500</u> |
| | <u>30,372</u> | <u>42,500</u> |
| | <u>\$ 32,372</u> | <u>\$ 46,660</u> |

Approved on behalf of the Board:

_____ Director

_____ Director

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

Springbank Hill Homeowners Association
Statement of Operations

For the year ended December 31

2002

2001

Revenue

| | | |
|--------------------------|---------------|---------------|
| Homeowners fees | \$ 43,533 | \$ 44,110 |
| Interest | 749 | 341 |
| Other income - developer | <u>-</u> | <u>10,000</u> |
| | <u>44,282</u> | <u>54,451</u> |

Expenditures

| | | |
|---------------------------|---------------|---------------|
| Amortization | 253 | - |
| Insurance | 3,180 | 522 |
| Interest and bank charges | 13 | 54 |
| Landscaping (Note 3) | 47,862 | 6,982 |
| Newsletter | 762 | 753 |
| Office and miscellaneous | 1,046 | 627 |
| Professional fees | <u>3,294</u> | <u>3,013</u> |
| | <u>56,410</u> | <u>11,951</u> |

| | | |
|--|--------------------|------------------|
| Excess (deficiency) of revenue over expenditures for the year | \$ (12,128) | \$ 42,500 |
|--|--------------------|------------------|

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

Springbank Hill Homeowners Association
Statement of Changes in Net Assets

For the year ended December 31

2002

2001

| | Invested in capital assets | Unrestricted | Total | Total |
|---|-------------------------------|------------------|------------------|------------------|
| Balance, beginning of year | \$ - | \$ 42,500 | \$ 42,500 | \$ - |
| Excess (deficiency) of revenue over expenditures | (253)(1) | (11,875) | (12,128) | 42,500 |
| Investment in capital assets | <u>2,531 (2)</u> | <u>(2,531)</u> | <u>-</u> | <u>-</u> |
| Balance, end of year | \$ <u>2,278</u> | \$ <u>28,094</u> | \$ <u>30,372</u> | \$ <u>42,500</u> |

(1) Consists of amortization expense

(2) Consists of the purchase of new capital assets

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

Springbank Hill Homeowners Association
Statement of Cash Flows

For the years ended December 31

2002

2001

Cash flows from operating activities

| | | |
|---|----------------|--------------|
| Excess (deficiency) of revenue over expenditures for the year | \$ (12,128) | \$ 42,500 |
| Item not involving cash | | |
| Amortization | <u>253</u> | <u>-</u> |
| | (11,875) | 42,500 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 19,057 | (26,425) |
| Accounts payable | - | 2,000 |
| Deferred contributions | <u>(2,160)</u> | <u>2,160</u> |
| | 5,022 | 20,235 |

Cash flows from investing activity

| | | |
|---------------------------|----------------|----------|
| Purchase of capital asset | <u>(2,531)</u> | <u>-</u> |
|---------------------------|----------------|----------|

Increase in cash

2,491 20,235

Cash, beginning of year

20,235 -

Cash, end of year

\$ 22,726 \$ 20,235

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

Springbank Hill Homeowners Association

Notes to Financial Statements

December 31, 2002

1. Purpose of the Association

Springbank Hill Homeowners Association was formed December 4, 1997 and control passed from the developer to the homeowners on January 1, 2001. The Association was established to provide for the management, supervision, and maintenance of the common amenities of the Springbank Hill subdivision. The required contributions will be established annually by the board of directors as elected by the homeowners. The Association is a not-for-profit organization and under section 149(1) of the Income Tax Act is exempt from the payment of income taxes.

2. Significant Accounting Policies

The financial statements of the Association have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Fund Accounting

The Organization follows the restricted fund method of accounting for contributions.

The general fund accounts for funds received from contributions and unrestricted income that are used for operations.

The capital fund accounts for capital assets purchased by the Association.

(b) Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Capital asset

Capital asset is recorded at cost. Amortization is provided for on a straight line basis as rates designed to amortize the cost of the asset over its estimated useful life as follows:

| | |
|-------|-----|
| Fence | 10% |
|-------|-----|

(d) Deferred Contributions

Deferred contributions consist of homeowners' fees received in advance.

(e) Cash and cash equivalents

Cash consists of cash on hand and bank balances.

(f) Financial Instruments

The Association carries various financial instruments. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Springbank Hill Homeowners Association
Notes to Financial Statements

December 31, 2002

| | | |
|-----------------------|-------------|-------------|
| 3. Landscaping | 2002 | 2001 |
|-----------------------|-------------|-------------|

Landscaping expense is recorded net of funding from the developer or City.

| | | |
|----------------------------------|-----------------|-----------|
| Landscaping expenditures | \$ 70,283 | \$ 30,982 |
| Funding from the developer | - | (24,000) |
| Funding from the City of Calgary | <u>(22,421)</u> | <u>-</u> |
| | \$ 47,862 | \$ 6,982 |

4. Commitment

The Association has entered into a landscaping contract with ULS Maintenance & Landscaping Inc. for the 2003 year. The total commitment, not including GST, is as follows:

| | | |
|----------------------------------|------------------------|--------------|
| | Monthly payment | Total |
| Summer months (April - October) | \$ 9,721 | \$ 68,045 |
| Winter months (November - March) | 1,035 | <u>5,175</u> |
| | | \$ 73,220 |

The contract can be cancelled by either party with 60 days written notice.
