

**Springbank Hill
Homeowners Association
Financial Statements**
For the year ended December 31, 2003

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Auditors' Report

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

We have audited the statement of financial position of Springbank Hill Homeowners Association as at December 31, 2003 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Calgary, Alberta
May 31, 2004

Springbank Hill Homeowners Association
Statement of Financial Position

December 31

2003

2002

Assets

Current

| | | |
|---------------------|---------------|---------------|
| Cash | \$ 4,837 | \$ 22,726 |
| Accounts receivable | <u>7,086</u> | <u>7,368</u> |
| | <u>11,923</u> | <u>30,094</u> |

Property and equipment

| | | |
|-------------------------------|--------------|--------------|
| Fence and signage | 3,841 | 2,531 |
| Less accumulated amortization | <u>(637)</u> | <u>(253)</u> |
| | <u>3,204</u> | <u>2,278</u> |
| | \$ 15,127 | \$ 32,372 |

Liabilities and Fund Balances

Current

| | | |
|--|------------------|-----------------|
| Accounts payable and accrued liabilities | \$ <u>12,458</u> | \$ <u>2,000</u> |
|--|------------------|-----------------|

Net assets

| | | |
|---|--------------|---------------|
| Net assets invested in property and equipment | 3,204 | 2,278 |
| Unrestricted net assets (liabilities) | <u>(535)</u> | <u>28,094</u> |
| | <u>2,669</u> | <u>30,372</u> |
| | \$ 15,127 | \$ 32,372 |

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

2003

2002

Revenue

Homeowners fees

\$ 86,575 \$ 43,533

Interest

1,100 749

87,675 44,282

Expenditures

Amortization

384 253

Insurance

4,770 3,180

Interest and bank charges

8 13

Landscaping (Note 3)

97,825 47,862

Newsletter

430 762

Office and miscellaneous

2,068 1,046

Professional fees

9,893 3,294

115,378 56,410

Deficiency of revenue over expenditures for the year

\$ (27,703) \$ (12,128)

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

2003

2002

| | Invested in property and equipment | Unrestricted | Total | Total |
|--|---------------------------------------|-----------------|-----------------|------------------|
| Balance, beginning of year | \$ 2,278 | \$ 28,094 | \$ 30,372 | \$ 42,500 |
| Deficiency of revenue over expenditures | (384)(1) | (27,319) | (27,703) | (12,128) |
| Investment in property and equipment | <u>1,310</u> (2) | <u>(1,310)</u> | <u>-</u> | <u>-</u> |
| Balance, end of year | <u>\$ 3,204</u> | <u>\$ (535)</u> | <u>\$ 2,669</u> | <u>\$ 30,372</u> |

(1) Consists of amortization expense

(2) Consists of the purchase of new property and equipment

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

Springbank Hill Homeowners Association
Statement of Cash Flows

| For the year ended December 31 | 2003 | 2002 |
|--|----------------|----------------|
| <hr/> | | |
| Cash flows from operating activities | | |
| Deficiency of revenue over expenditures for the year | \$ (27,703) | \$ (12,128) |
| Item not involving cash | | |
| Amortization | <u>384</u> | <u>253</u> |
| | (27,319) | (11,875) |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 282 | 19,057 |
| Accounts payable | 10,458 | - |
| Deferred contributions | <u>-</u> | <u>(2,160)</u> |
| | (16,579) | 5,022 |
| Cash flows from investing activity | | |
| Purchase of property and equipment | <u>(1,310)</u> | <u>(2,531)</u> |
| Increase (decrease) in cash | (17,889) | 2,491 |
| Cash, beginning of year | <u>22,726</u> | <u>20,235</u> |
| Cash, end of year | \$ 4,837 | \$ 22,726 |

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

Springbank Hill Homeowners Association

Notes to Financial Statements

December 31, 2003

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 incorporated under the Societies Act of Alberta as a not-for-profit organization and under section 149(1)(l) of the Income Tax Act is exempt from the payment of income taxes.

The Association entered into a landscape maintenance agreement with the City of Calgary. The agreement provides that the Association may apply for an annual grant to provide landscaping maintenance on certain land in the Springbank Hill subdivision. The agreement expires in 2025 and is renewable.

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) 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.

(b) Government assistance

Government assistance from the City of Calgary is applied to reduce landscaping expenditures.

(c) Property and equipment

Property and equipment are 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% |
| Signage | 10% |

(d) Cash

Cash consists of a bank balance and is currently held with one financial institution and, as such, the Company is exposed to concentration of credit risk.

(e) 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, 2003

3. Landscaping

2003

2002

Landscaping expenditures are for maintenance of common grounds and is recorded net of funding from the City.

| | | |
|----------------------------------|------------------|------------------|
| Landscaping expenditures | \$ 120,246 | \$ 70,283 |
| Funding from the City of Calgary | <u>(22,421)</u> | <u>(22,421)</u> |
| | <u>\$ 97,825</u> | <u>\$ 47,862</u> |

4. Commitment

The Association has entered into a landscaping contract with ULS Maintenance & Landscaping Inc. for the 2004 year. The total commitment, not including GST, is as follows:

| | Monthly payment | Total |
|----------------------------------|------------------------|------------------|
| Summer months (April - October) | \$ 8,750 | \$ 61,250 |
| Winter months (November - March) | 1,035 | <u>5,175</u> |
| | | <u>\$ 66,425</u> |

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