

Livingston Homeowners Association
Financial Statements
March 31, 2021

To the Members of Livingston Homeowners Association:

Opinion

We have audited the financial statements of Livingston Homeowners Association (the "Association"), which comprise the statement of financial position as at March 31, 2021, and the statements 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 March 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 organizations.

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.

Emphasis of Matter - Restated Comparative Information

Without modifying our opinion, we draw attention to Note 4 to the financial statements which describes that certain comparative information presented for the year ended March 31, 2020 has been restated. The financial statements for the year ended March 31, 2020 (prior to the adjustments that were applied to restate certain comparative information explained in Note 4) were audited by another firm of chartered professional accountants who expressed an unmodified opinion on those financial statements on July 28, 2020. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Calgary, Alberta

July 15, 2021

MNP LLP
Chartered Professional Accountants

MNP

Livingston Homeowners Association

Statement of Financial Position

As at March 31, 2021

	2021	2020 (Restated - Note 4)
Assets		
Current		
Cash	318,644	79,022
Accounts receivable (Note 5)	37,521	1,992
GST recoverable	4,400	457,587
Prepaid expenses and deposits	26,143	925
	386,708	539,526
Capital assets (Note 6)	25,988,290	17,389,400
	26,374,998	17,928,926

Continued on next page

The accompanying notes are an integral part of these financial statements

Livingston Homeowners Association

Statement of Financial Position

As at March 31, 2021

	2021	2020 (Restated - Note 4)
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	446,122	851,937
Deferred revenue (Note 8)	119,224	-
Advances from related party (Note 9)	1,264,390	9,903,724
Current portion of long-term debt (Note 11)	12,709	-
	1,842,445	10,755,661
Demand loan (Note 10)	18,250,000	-
	20,092,445	10,755,661
Long-term debt (Note 11)	46,598	-
Deferred capital contributions (Note 12)	1,052,878	1,051,570
	1,099,476	1,051,570
	21,191,921	11,807,231
Significant event (Note 2)		
Subsequent event (Note 10)		
Commitments (Note 15)		
Net Assets		
Invested in capital assets	6,626,105	5,919,340
Unrestricted	(1,443,028)	202,355
	5,183,077	6,121,695
	26,374,998	17,928,926
Approved on behalf of the Board		
E-SIGNED by Kaitlyn Rankin	E-SIGNED by Karen Shopland	
Director	Director	

The accompanying notes are an integral part of these financial statements

Livingston Homeowners Association
Statement of Operations
For the year ended March 31, 2021

	2021	2020 <i>(Restated - Note 4)</i>
Revenue		
Memberships	119,436	-
Amortization of deferred capital contributions <i>(Note 12)</i>	42,642	7,175
Interest and other <i>(Note 14)</i>	2,651	285
Programs and events	182	1,621
	164,911	9,081
Expenses		
Interest on term loan due on demand	399,315	-
Amortization	241,557	7,175
Facility operations and maintenance	231,301	43,561
Administration	140,319	14,876
Amenity maintenance	77,517	6,217
Interest on advances from related party <i>(Note 9)</i>	35,625	172,910
Programs and events	3,210	17,740
Interest on long-term debt	1,828	-
	1,130,672	262,479
Deficiency of revenue over expenses	(965,761)	(253,398)

The accompanying notes are an integral part of these financial statements

Livingston Homeowners Association
Statement of Changes in Net Assets
For the year ended March 31, 2021

	<i>Invested in capital assets</i>	<i>Unrestricted</i>	2021	2020
Net assets, beginning of year, as previously stated	6,000,000	(253,398)	5,746,602	-
Invested in land <i>(Note 4)</i>	375,093	-	375,093	6,000,000
Invested in capital assets <i>(Note 4)</i>	10,173,806	(10,173,806)	-	-
Deferred contributions received <i>(Note 4)</i>	(1,058,745)	1,058,745	-	-
Related party advances <i>(Note 4)</i>	(9,570,814)	9,570,814	-	-
Net assets, beginning of year, as restated	5,919,340	202,355	6,121,695	6,000,000
Deficiency of revenue over expenses <i>(Note 13)</i>	(198,915)	(766,846)	(965,761)	(253,398)
Invested in land	27,143	-	27,143	-
Invested in capital assets	9,660,980	(9,660,980)	-	-
Deferred contributions received	(43,950)	43,950	-	-
Repayment of related party advances	9,570,814	(9,570,814)	-	-
Long-term debt advances	(63,544)	63,544	-	-
Repayment of long-term debt	4,237	(4,237)	-	-
Term loan advance	(18,250,000)	18,250,000	-	-
Net assets, end of year	6,626,105	(1,443,028)	5,183,077	5,746,602

The accompanying notes are an integral part of these financial statements

Livingston Homeowners Association
Statement of Cash Flows
For the year ended March 31, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(965,761)	(253,398)
Amortization of capital assets	241,557	7,175
Amortization of deferred capital contributions	(42,642)	(7,175)
	(766,846)	(253,398)
Changes in working capital accounts		
Accounts receivable	(35,529)	(1,992)
GST recoverable	453,187	(457,587)
Prepaid expenses and deposits	(25,218)	(925)
Accounts payable and accrued liabilities	441,861	4,261
Deferred contributions	119,224	-
	186,679	(709,641)
Financing		
Advances from related party	483,164	9,903,724
Repayment of advances from related party	(9,122,498)	-
Advances of term loan due on demand	18,250,000	-
Advances of long-term debt	63,544	-
Repayment of long-term debt	(4,237)	-
	9,669,973	9,903,724
Investing		
Acquisition of capital assets (Note 6)	(9,617,030)	(9,115,061)
Increase in cash resources	239,622	79,022
Cash resources, beginning of year	79,022	-
Cash resources, end of year	318,644	79,022

The accompanying notes are an integral part of these financial statements

Livingston Homeowners Association
Notes to the Financial Statements
For the year ended March 31, 2021

1. Incorporation and nature of the organization

Livingston Homeowners Association (the "Association") was incorporated under the laws of the Province of Alberta as a not-for-profit organization on June 21, 2016 and thus is exempt from income taxes under section 149 (1)(e) of the Income Tax Act of Canada.

The Association owns and operates amenities for the use of its members, the residents of Livingston. The operations of the Association are governed by the Livingston Management Agreement (the "Management Agreement") dated June 2016 between the Association and Brookfield Residential (Alberta) LP ("Brookfield Residential"). The Management Agreement grants Brookfield Residential the ability to control the management of the Association and management of the Association's amenities until the Effective Date (defined below). Until such time, the powers of the Officers and Directors to manage the business affairs of the Association are temporarily restrained.

The Effective Date is defined as the later of:

- i. the date upon which Brookfield Residential has sold its last lands within the Livingston development, or
- ii. the date upon which all amounts owing to Brookfield Residential have been repaid.

Brookfield Residential may, at an earlier date at its discretion, transfer portions of the amenities or certain aspects of management to the Association. After the Effective Date, the Association becomes independent from Brookfield Residential and will no longer receive its financial support.

2. Significant event

During the year and continuing subsequent to to year end, there was a global outbreak of COVID-19 (Coronavirus), which has had a significant impact on organizations and governments through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation orders. The extent to which the Association is impacted will depend on future developments, which are highly uncertain and that cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in Canada and other countries, organizational closures or organizational disruptions and the effectiveness of actions taken in Canada and other countries to fight the virus.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

Cash and cash equivalents

Cash includes balances with financial institutions.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Buildings	40 years
Park amenities	25 years
Decorative corners	25 years
Furniture and fixtures	5 years
Automotive	10 years

3. Significant accounting policies *(Continued from previous page)*

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.

Deferred contributions restricted for the acquisition of capital assets are recognized as revenue in amounts that match the amortization of the related capital assets. Contributions of capital assets not subject to amortization are recorded as direct increases to net assets.

Memberships are recorded as deferred revenue when received and are recognized as revenue in the Statement of Operations over the related membership period.

Program and event revenue is recognized upon completion of the program or event.

Interest income is recognized when earned.

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Association writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Association's ability to provide goods and services. The assets are also written-down when the value of future economic benefits or service potential associated with the group of assets is less than its net carrying amount. When the Association determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess (deficiency) of revenue over expenses in the years in which they become known.

Financial instruments

The Association recognizes its financial instruments when the Association becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions* (refer to Note 9).

The Association subsequently measures all financial assets and liabilities at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess (deficiency) of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Livingston Homeowners Association
Notes to the Financial Statements
For the year ended March 31, 2021

3. Significant accounting policies *(Continued from previous page)*

Financial asset impairment

The Association assesses impairment of all of its financial assets measured at cost or amortized cost. The Association groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; and no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Association determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Association reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenue over expenses.

The Association reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess (deficiency) of revenue over expenses in the year the reversal occurs.

Government assistance

Government assistance is recognized when there is a reasonable assurance that the conditions attached to the government assistance will be met and that assistance will be received. Government assistance is recognized as income over the periods necessary to match it with the related costs that it is intended to compensate.

4. Prior period restatement

During the year, the Association determined that contributed land and decorative corners from Brookfield Residential were understated as at March 31, 2020 by \$375,093 and \$1,058,745, respectively. For 2020, the impact of this restatement has resulted in an increase to capital assets of \$1,433,838, an increase in deferred capital contributions of \$1,058,745, an increase in amortization expense of \$7,175, an increase in amortization of deferred contributions of \$7,175 and an increase in net assets of \$375,093.

5. Accounts receivable

Included in accounts receivable at year end is \$2,904 (2020 - \$1,992) receivable from Brookfield Residential, a company related by virtue of its ability to determine the strategic operating, investing and financing decisions of the Association.

6. Capital assets

			2021	2020 (Restated - Note 4)
	Cost	Accumulated amortization	Net book value	Net book value
Land	6,402,236	-	6,402,236	6,375,093
Buildings	15,877,899	147,821	15,730,078	9,962,737
Park amenities	2,743,200	45,470	2,697,730	-
Decorative corners	1,077,695	49,651	1,028,044	1,051,570
Furniture and fixtures	98,592	4,232	94,360	-
Automotive	37,400	1,558	35,842	-
	26,237,022	248,732	25,988,290	17,389,400

During the year, capital assets were acquired at an aggregate cost of \$8,840,447 (2020 - \$17,396,575), of which \$8,769,355 (2020 - \$9,115,061) was acquired in cash and \$71,092 (2020 - \$7,433,838) was contributed by Brookfield Residential and \$nil (2020 - \$847,676) was included in accounts payable. These contributed capital assets were recorded at fair market value at the time of the contribution.

Livingston Homeowners Association

Notes to the Financial Statements

For the year ended March 31, 2021

7. Accounts payable and accrued liabilities

	2021	2020
Trade payables and accrued liabilities	445,525	4,049
Employee source deductions	597	212
Construction holdbacks payable	-	847,676
	446,122	851,937

8. Deferred revenue

Deferred revenue consists of \$114,916 (2020 - \$nil) of subsequent year membership dues received in the current year as well as \$4,308 (2020 - \$nil) of cash received for subsequent year programs. Recognition of these amounts as revenue for memberships and programs will occur on a straight-line basis over the annual membership year and as the services are provided, respectively.

9. Advances from related party

The following summarizes the Association's related party balances and transactions with Brookfield Residential that have not otherwise been disclosed:

- a) Brookfield Residential agreed to lend funds to the Association to cover shortfalls in its operating budget, subject to certain conditions defined in the Management Agreement. During the year, Brookfield Residential advanced \$1,085,698 (2020 - \$160,000) to the Association, the Association made repayments of \$7,437 on these advances and the Association incurred interest of \$22,841 (2020 - \$3,288) which has been accrued at year end. Included in advances from Brookfield Residential at year end are amounts owing under these operational advances of \$1,264,390 (2020 - \$163,288). These advances are unsecured, repayable on demand as funds become available and bear interest at prime rate plus 0.75% (2020 - prime rate plus 1.0%) per annum. At year end, the prime rate was 2.45% (2020 - 2.45%).
- b) Also included in the advances from Brookfield Residential at year end are amounts advanced to the Association for construction of the Association's facility. During the year, Brookfield made advances of \$nil (2020 - \$9,570,814) and the Association made repayments on these advances of \$9,753,220 (2020 - \$nil) which included \$12,784 of interest (2020 - \$nil). At year end, the balance of construction related advances owing to Brookfield Residential amounted to \$nil (2020 - \$9,570,814) plus accrued interest of \$nil (2020 - \$169,622). These advances were subject to the same terms and conditions as the advances noted in a) above.
- c) During the year, Brookfield Residential contributed \$27,143 (2020 - \$6,375,094) of land, \$25,000 (2020 - \$nil) of park amenities and \$18,950 (2020 - \$1,058,745) of decorative corners to the Association.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Livingston Homeowners Association
Notes to the Financial Statements
For the year ended March 31, 2021

10. Demand loan

2021 **2020**

ATB has provided the Association with a non-revolving demand loan facility in the amount of \$18,250,000 to finance the Association's recreational facility. The loan bears interest at prime plus 0.75% per annum and is secured by: a general security agreement providing a security interest over all present and after acquired personal property and a floating charge on all lands; a first mortgage registered against the property; a general assignment of future leases and rents; assignment of major construction and development contracts relating to the facility; and an assignment of homeowner dues owing. The prime rate in effect at March 31, 2021 was 2.45%.

18,250,000

-

Principal repayments on the term loan due on demand in each of the next five years are estimated as follows:

2022	369,681
2023	413,652
2024	424,748
2025	436,141
2026	447,840

On April 5, 2021, the Association entered into an amended facility agreement with ATB to a maximum amount of \$18,811,695. The facility is due on demand, bears interest at prime plus 0.20% per annum and is repayable, starting in May 2021, in blended monthly payments of \$73,540 until May 31, 2026 when blended monthly repayments increase to \$114,841. The facility is secured by the same security items that are noted above.

11. Long-term debt

2021 **2020**

John Deere Financing loan bearing interest at 1.15% per annum, payable over 60 months in monthly blended payments of \$1,059, maturing in November 2025, secured by a vehicle and equipment with a combined net book value of \$55,376.

59,307

-

Less: Current portion

12,709

-

46,598

-

Principal repayments on long-term debt in each of the next four years are estimated as follows:

2022	12,709
2023	12,709
2024	12,709
2025	8,471

46,598

Livingston Homeowners Association
Notes to the Financial Statements
For the year ended March 31, 2021

12. Deferred capital contributions

Deferred capital contributions consist of the unamortized amount of depreciable capital assets contributed to the Association from Brookfield Residential. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2021	2020 (Restated - Note 4)
Balance, beginning of year	1,051,570	-
Contributed capital assets	43,950	1,058,745
Less: amounts recognized as revenue during the year	(42,642)	(7,175)
Balance, end of year	1,052,878	1,051,570

13. Net assets invested in capital assets

	2021	2020 (Restated - Note 4)
Amortization of capital assets	(241,557)	(7,175)
Amortization of deferred capital contributions	42,642	7,175
Deficiency of revenue over expenses	(198,915)	-

14. Government assistance

In March 2020, the Government of Canada introduced the Canada Temporary Wage Subsidy to support organizations that are hardest hit by the pandemic. The subsidy is equal to 10% of the remuneration you pay from March 18 to June 19, 2020, up to \$1,375 for each eligible employee. The maximum total is \$25,000 for each eligible organization.

For the year ended March 31, 2021, the Association claimed aggregate subsidies under this program of \$1,106 (2020 - \$nil) which is included in interest and other revenue.

15. Commitments

The Association has entered into various lease agreements for office equipment and software and service contracts with estimated minimum annual payments as follows:

2022	7,320
2023	7,320
2024	6,920
2025	6,120
2026	5,610
	33,290

16. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest rate, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Association is exposed to interest rate risk primarily through its term loan due on demand which bears interest based on the market interest rate as described in Note 10.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association enters into transactions to borrow funds from financial institutions and other creditors for which repayment is required at various maturity dates.

Credit concentration

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risks relate to its cash and accounts receivable.

The Association is exposed to concentration risk on its cash in that all of its cash is held with one financial institution. To minimize this risk, the Association places cash with a high quality financial institution of Canada.

The Association's risk of having accounts receivable go uncollected is mitigated by its ability to place a lien on any homeowners property, if necessary, for any unpaid membership dues.

17. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

