# LIVINGSTON HOMEOWNERS ASSOCIATION

## FINANCIAL STATEMENTS

## March 31, 2023

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# Independent Auditor's Report

To the Board of Directors 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, 2023, 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, 2023, and its results of 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.

**Other Matter**

The financial statements for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 27, 2022.

**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

October 13, 2023

**LIVINGSTON HOMEOWNERS ASSOCIATION**
**Statement of Financial Position**
**As at March 31**

| | 2023 | 2022 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash | $ 219,587 | $ 249,758 |
| Accounts receivable (Note 5) | 24,141 | 50,250 |
| Prepaid expenses and deposits | 35,197 | 37,338 |
| | 278,925 | 337,346 |
| **CAPITAL ASSETS (Note 3)** | 25,327,041 | 25,903,693 |
| | **$ 25,605,966** | **$ 26,241,039** |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ 68,729 | $ 61,265 |
| Goods and service tax payable | 17,055 | 95,442 |
| Demand loan (Note 4) | 18,197,023 | 18,285,237 |
| Due to related party (Note 5) | 1,461,767 | 650,584 |
| Deferred revenue | 336,596 | 252,650 |
| Current portion of long-term debt (Note 6) | 30,416 | 29,870 |
| | 20,111,586 | 19,375,048 |
| **LONG-TERM DEBT (Note 6)** | 51,272 | 81,696 |
| **DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 7)** | 2,569,530 | 2,653,677 |
| | 22,732,388 | 22,110,421 |
| **NET ASSETS INVESTED IN CAPITAL ASSETS** | 4,478,800 | 4,853,213 |
| **UNRESTRICTED NET DEFICIENCY** | (1,605,222) | (722,595) |
| | 2,873,578 | 4,130,618 |
| | **$ 25,605,966** | **$ 26,241,039** |

Commitments (Note 8)

Approved on behalf of the Association:

DocuSigned by:
Kaitlyn Rankin
7705000EF724420... Director

DocuSigned by:
Karen Skopland
BA88A855BA7E469... Director

**LIVINGSTON HOMEOWNERS ASSOCIATION**
**Statement of Operations**
**For the year ended March 31**

| | 2023 | 2022 |
|---|---|---|
| **REVENUES** | | |
| Membership fees | $ 879,954 | $ 594,324 |
| Rental income | 431,940 | 221,818 |
| Programs and events | 99,016 | 90,178 |
| Amortization of deferred contributions (Note 7) | 86,523 | 86,285 |
| Interest and other | 30,637 | 53,115 |
| Maintenance contracts (Note 5) | 15,600 | - |
| | 1,543,670 | 1,045,720 |
| **EXPENSES** | | |
| Administration | 155,319 | 108,180 |
| Amenity maintenance | 94,970 | 67,496 |
| Amortization of capital assets | | |
| Contributed (Note 7) | 86,523 | 86,285 |
| Purchased | 529,696 | 511,230 |
| Facility operations and maintenance | 810,172 | 747,102 |
| Interest (Note 5) | 1,015,424 | 543,817 |
| Programs and events | 108,606 | 64,069 |
| | 2,800,710 | 2,128,179 |
| **DEFICIENCY OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING ITEM** | (1,257,040) | (1,082,459) |
| **GAIN ON DISPOSAL OF CAPITAL ASSETS** | - | 30,000 |
| **DEFICIENCY OF REVENUES OVER EXPENSES** | **$ (1,257,040)** | **$ (1,052,459)** |

**LIVINGSTON HOMEOWNERS ASSOCIATION**
**Statement of Changes in Net Assets**
**For the year ended March 31**

| | Net Assets Invested in Capital | Unrestricted | 2023 | 2022 |
|---|---|---|---|---|
| Net assets, beginning of year | $ 4,853,213 | $ (722,595) | $ 4,130,618 | $ 5,183,077 |
| Deficiency of revenues over expenses | (529,696) | (727,344) | (1,257,040) | (1,052,459) |
| Invested in capital assets | 155,283 | (155,283) | - | - |
| Net assets, end of year | **$ 4,478,800** | **$ (1,605,222)** | **$ 2,873,578** | **$ 4,130,618** |

**LIVINGSTON HOMEOWNERS ASSOCIATION**
**Statement of Cash Flows**
**For the year ended March 31**

| | 2023 | 2022 |
|---|---|---|
| **NET (INFLOW) OUTFLOW OF CASH RELATED TO:** | | |
| **OPERATING ACTIVITIES** | | |
| Deficiency of revenue over expenditure | $ (1,257,040) | $ (1,052,459) |
| Amortization of capital assets | 616,219 | 597,515 |
| Gain on disposal of capital assets | - | (30,000) |
| Amortization of deferred capital contributions | (86,523) | (86,285) |
| Interest accrued on due to related party | 37,410 | - |
| | (689,934) | (571,229) |
| Changes in working capital accounts | | |
| Accounts receivable | 26,109 | (12,729) |
| Prepaid expenses and deposits | 2,141 | (11,195) |
| Accounts payable and accrued liabilities | 7,464 | (384,857) |
| Goods and service tax | (78,387) | 99,842 |
| Deferred revenue | 83,946 | 133,426 |
| | (648,661) | (746,742) |
| **INVESTING ACTIVITIES** | | |
| Purchase of capital assets | (37,191) | (512,918) |
| Proceeds on disposal of capital assets | - | 30,000 |
| | (37,191) | (482,918) |
| **FINANCING ACTIVITIES** | | |
| Advances on demand loan | - | 293,625 |
| Repayment of demand loan | (88,214) | (258,388) |
| Advances on long-term debt | - | 64,967 |
| Repayment of long-term debt | (29,878) | (12,708) |
| Advances from related party | 820,000 | 1,362,046 |
| Repayment of advances from related party | (46,227) | (1,975,852) |
| Cash contributions received for capital assets | - | 1,687,084 |
| | 655,681 | 1,160,774 |
| **NET CASH OUTFLOW** | (30,171) | (68,886) |
| **CASH, BEGINNING OF YEAR** | 249,758 | 318,644 |
| **CASH, END OF YEAR** | **$ 219,587** | **$ 249,758** |

## 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 the community 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

## 2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial statements of the Association have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

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.

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.

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

Program, facility rental and maintenance fees are recognized as revenue over the period to which they relate.

Interest income is recognized when earned.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Use of estimates

In accordance with ASNPO, estimates and assumptions are made by management in the preparation of these financial statements. These estimates may impact the amounts included in the financial statements. The most significant of these estimates are related to amortization and the estimated useful life of the capital assets and accounts payable and accrued liabilities. Actual results could differ from these estimates.

d) Capital assets

Capital assets purchased by the Association are recorded at cost. Capital assets contributed to the Association are recorded at fair value on the date of contribution.

Amortization is based on estimated useful life calculated on a straight line basis as follows:

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

Land is not subject to amortization.

e) Cash

Cash consists of balances held at financial institutions.

f) Impairment of long-lived assets

Capital assets are tested for impairment where impairment indicators are present. This would occur if an item no longer contributes to the Association's ability to provide services. Any excess of the item's carrying value, with no long-term service potential, over its residual value is recognized as an expense of the period.

g) Financial instruments

The Association's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, related party payable, demand loan and long-term debt. All financial instruments are initially measured at fair value and subsequently measured at amortized cost.

Financial assets are tested for impairment when changes in circumstances indicate that the asset could be impaired. Transaction costs on the acquisition and sale of financial instruments are expensed for those items re-measured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

### 3. CAPITAL ASSETS

| | March 31, 2023 | | |
|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value |
| Buildings | $ 16,190,354 | $ 952,783 | $ 15,237,571 |
| Park amenities | 2,743,200 | 264,926 | 2,478,274 |
| Decorative corners | 1,077,695 | 135,866 | 941,829 |
| Furniture and fixtures | 262,226 | 85,847 | 176,379 |
| Automotive | 113,796 | 23,044 | 90,752 |
| | 20,387,271 | 1,462,466 | 18,924,805 |
| Land | 6,402,236 | - | 6,402,236 |
| Total | **$ 26,789,507** | **$ 1,462,466** | **$ 25,327,041** |

| | March 31, 2022 | | |
|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value |
| Buildings | $ 16,190,355 | $ 548,023 | $ 15,642,332 |
| Park amenities | 2,743,200 | 155,198 | 2,588,002 |
| Decorative corners | 1,077,695 | 92,759 | 984,936 |
| Furniture and fixtures | 222,659 | 38,603 | 184,056 |
| Automotive | 113,796 | 11,665 | 102,131 |
| | 20,347,705 | 846,248 | 19,501,457 |
| Land | 6,402,236 | - | 6,402,236 |
| Total | **$ 26,749,941** | **$ 846,248** | **$ 25,903,693** |

### 4. DEMAND LOAN

ATB has provided the Association with a non-revolving demand loan facility in the amount of $18,212,701 (2022 - $18,811,695) to finance the Association's recreational facility. The loan bears interest at prime plus 0.50% (2022 - prime plus 0.20%) per annum and is repayable in blended monthly payments of $116,225 (2022 - $73,450) until July 31, 2026 when blended repayments increase to $135,196. The facility 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 homeowners dues owing. The prime rate in effect at March 31, 2023 was 6.70% (2022 - 2.70%)

| | 2023 | 2022 |
|---|---|---|
| ATB demand loan | **$ 18,197,023** | **$ 18,285,237** |

The loan is expected to be renewed each year under similar terms. The principal payment estimated to be required in each of the next five years and thereafter are as follows:

| | |
|---|---|
| 2024 | $ 87,361 |
| 2025 | 93,862 |
| 2026 | 100,847 |
| 2027 | 283,247 |
| 2028 | 364,750 |
| Thereafter | 17,266,956 |
| | **$ 18,197,023** |

## 5. RELATED PARTY TRANSACTIONS

During the year, the following transactions occurred with Brookfield Residential:

a) Brookfield Residential agreed to lend funds to the Association to cover shortfalls in the operating budget, subject to certain conditions defined in the Management Agreement. During the year, Brookfield Residential advanced the Association $820,000 (2022 - $680,046), the Association made repayments of $46,227 (2022 - $1,293,852) on these advances, and the Association incurred interest of $37,410 (2022 - $17,818). These advances are unsecured, repayable on demand as funds become available and bear interest at prime rate plus 0.50% per annum (2022 - prime rate plus 0.20% per annum). At year end, the prime rate was 6.70% (2022 - 2.70%).

b) The Association recognized $15,600 (2022 - $nil) for services provided to Brookfield Residential under a maintenance contract which requires the Association to maintain certain public areas within the community. Of this amount, $7,192 (2022 - $nil) are included in accounts receivable at year end.

The above mentioned related party transactions are in the normal course of operations and have been recorded at the exchange amount, which is the amount agreed to by the related parties.

## 6. LONG-TERM DEBT

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 $39,372.

| | 2023 | 2022 |
|---|---|---|
| Current portion of long-term debt | $ 12,709 | $ 12,709 |
| Long-term portion of long-term debt | 21,181 | 33,890 |
| | **$ 33,890** | **$ 46,599** |

Meridian OneCap financing loan bearing interest at 6.00% per annum, payable over 60 months in monthly blended payments of $897, maturing March 2026, secured by a vehicle with a net book value of $36,081.

| | 2023 | 2022 |
|---|---|---|
| Current portion of long-term debt | $ 9,250 | $ 8,704 |
| Long-term portion of long-term debt | 20,225 | 29,483 |
| | **$ 29,475** | **$ 38,187** |

John Deere Financing non-interest bearing loan, payable over 60 months in monthly payments of $705, maturing in May 2025, secured by a vehicle with a net book value of $26,310.

| | 2023 | 2022 |
|---|---|---|
| Current portion of long-term debt | $ 8,457 | $ 8,457 |
| Long-term portion of long-term debt | 9,866 | 18,323 |
| | **$ 18,323** | **$ 26,780** |

The principal repayments on long-term debt to be required in each of the next three years are estimated as follows:

| | |
|---|---|
| 2024 | $ 30,416 |
| 2025 | 30,989 |
| 2026 | 20,283 |
| | **$ 81,688** |

## 7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions relate to capital assets and funding for the purchase of capital assets contributed to the Association by Brookfield Residential and the City of Calgary.

Contributions amount to $2,792,155 (2022 - $2,789,779) less accumulated amortization of $222,625 (2022 - $136,102). The land contributed by Brookfield Residential in 2020 is not subject to amortization and has therefore been recorded as a direct increase to net assets.

## 8. COMMITMENTS

The Association has lease commitments for office equipment and software and service contracts. The future minimum payments remaining under these agreements are as follows:

| | | |
|---|---|---|
| 2024 | $ | 8,370 |
| 2025 | | 6,120 |
| 2026 | | 5,100 |
| | **$** | **19,590** |

## 9. FINANCIAL INSTRUMENTS

The Association, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk and liquidity risk. The Association manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. There has been no change in the risk exposure since last year. The risks and related management strategies are discussed below:

a) Interest rate risk

The Association is exposed to interest rate cash flow risk as a result of its floating rate debt disclosed in Notes 4 and 5, whereby the cash flows required to service the debt will fluctuate with changes in market rates.

b) Credit risk

The Association is exposed to credit risk through its cash and accounts receivable.

The Association’s credit risk is primarily attributable to its accounts receivable. The accounts receivable primarily represents annual charges not collected from members. The risk is mitigated due to the fact that the Association takes legal action on overdue accounts and places a lien on the property of the member and will collect the annual charge upon sale of the home if the member chooses not to pay the annual charge. The credit risk on cash is limited because the counterparty is a major Canadian financial institution.

c) Liquidity risk

Liquidity risk is the risk that the Association would encounter difficulty in meeting its financial obligations.

Liquidity risk includes the risk that the Association will not have sufficient funds to settle a transaction on the due date. Liquidity risk arises from the accounts payable and accrued liabilities, and demand loan. This risk is mitigated by the Management Agreement, whereby Brookfield Residential has agreed to advance funds to the Association to cover operating shortfalls up to the Effective Date (defined in Note 1).

## 10. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.