

Livingston Homeowners Association
Financial Statements
March 31, 2022

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, 2022, 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, 2022, 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.

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

September 27, 2022

MNP LLP

Chartered Professional Accountants

MNP

Livingston Homeowners Association
Statement of Financial Position

As at March 31, 2022

	2022	2021
Assets		
Current		
Cash	249,758	318,644
Accounts receivable (Note 3)	50,250	37,521
Prepaid expenses and deposits	37,338	26,143
Goods and Services Tax recoverable	-	4,400
	337,346	386,708
Capital assets (Note 4)	25,903,693	25,988,290
	26,241,039	26,374,998

Continued on next page

Livingston Homeowners Association

Statement of Financial Position

As at March 31, 2022

	2022	2021
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	61,265	446,122
Deferred revenue (Note 6)	252,650	119,224
Advances from related party (Note 7)	650,584	1,264,390
Goods and Services Tax payable	95,442	-
Current portion of long-term debt (Note 9)	29,870	12,709
	1,089,811	1,842,445
Demand loan (Note 8)	18,285,237	18,250,000
	19,375,048	20,092,445
Long-term debt (Note 9)	81,696	46,598
Deferred capital contributions (Note 10)	2,653,677	1,052,878
	22,110,421	21,191,921
Commitments (Note 12)		
Net Assets		
Invested in net assets	4,853,213	6,626,105
Unrestricted	(722,595)	(1,443,028)
	4,130,618	5,183,077
	26,241,039	26,374,998
Approved on behalf of the Board of Directors		
e-Signed by Kim Lefebre	e-Signed by Nolan Frese	
<u>2022-09-28 15:09:53:53 MDT</u>	<u>2022-09-27 07:30:23:23 MDT</u>	
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, 2022

	2022	2021
Revenue		
Memberships	594,324	119,436
Rental income	221,818	-
Programs and events	90,178	182
Amortization of deferred contributions <i>(Note 10)</i>	86,285	42,642
Interest and other <i>(Note 13)</i>	53,115	2,651
	1,045,720	164,911
Expenses		
Amortization	597,515	241,557
Facility operations and maintenance	566,989	231,301
Interest on term loan due on demand	523,125	399,315
Amenity maintenance	240,223	77,517
Administration	113,893	140,319
Programs and events	65,742	3,210
Interest on advances from related party <i>(Note 7)</i>	17,511	35,625
Interest on long-term debt	3,181	1,828
	2,128,179	1,130,672
Deficiency of revenue over expenses before other items	(1,082,459)	(965,761)
Other items		
Gain on disposal of capital assets	30,000	-
Deficiency of revenue over expenses	(1,052,459)	(965,761)

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, 2022

	<i>Invested in net assets</i>	<i>Unrestricted</i>	2022	<i>2021</i>
Net assets, beginning of year	6,626,105	(1,443,028)	5,183,077	6,121,695
Deficiency of revenue over expenses (Note 11)	(511,230)	(541,229)	(1,052,459)	(965,761)
Invested in land	-	-	-	27,143
Invested in capital assets	512,918	(512,918)	-	-
Deferred contributions received	(1,687,084)	1,687,084	-	-
Long-term debt advances	(64,967)	64,967	-	-
Repayment of long-term debt	12,708	(12,708)	-	-
Term loan advances	(293,625)	293,625	-	-
Repayment of term loan	258,388	(258,388)	-	-
Net assets, end of year	4,853,213	(722,595)	4,130,618	5,183,077

The accompanying notes are an integral part of these financial statements

Livingston Homeowners Association
Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(1,052,459)	(965,761)
Amortization of capital assets	597,515	241,557
Amortization of deferred capital contributions	(86,285)	(42,642)
Gain on disposal of capital assets	(30,000)	-
	(571,229)	(766,846)
Changes in working capital accounts		
Accounts receivable	(12,729)	(35,529)
Goods and Services Tax recoverable	4,400	453,187
Prepaid expenses and deposits	(11,195)	(25,218)
Accounts payable and accrued liabilities	(384,857)	441,861
Deferred contributions	133,426	119,224
Goods and Services Tax payable	95,442	-
	(746,742)	186,679
Financing		
Advances from related party	1,362,046	483,164
Repayment of advances from related party	(1,975,852)	(9,122,498)
Advances of demand loan	293,625	18,250,000
Repayments demand loan	(258,388)	-
Advances of long-term debt	64,967	63,544
Repayment of long-term debt	(12,708)	(4,237)
Cash contributions received for capital assets	1,687,084	-
	1,160,774	9,669,973
Investing		
Acquisition of capital assets	(512,918)	(9,617,030)
Proceeds on disposal of capital assets	30,000	-
	(482,918)	(9,617,030)
(Decrease) increase in cash resources	(68,886)	239,622
Cash resources, beginning of year	318,644	79,022
Cash resources, end of year	249,758	318,644

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, 2022

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 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

2. 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.

Financial instruments

The Association recognizes financial instruments when the Association becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Association may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Association has not made such an election during the year.

The Association subsequently measures all arm's length financial assets and liabilities at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of arms' length financial instruments subsequently measured at cost or amortized cost are added to the carrying amount for those financial instruments.

Related party financial instruments

The Association measures financial instruments originated/acquired or issued/assumed in a related party transaction ("related party financial instruments") at cost on initial recognition. When the related party financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the related party financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the related party financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received (refer to Note 7).

Financial instruments that were initially measured at cost are subsequently measured using the cost method less any reduction for impairment.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in deficiency of revenue over expenses.

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

Financial asset impairment

The Association assesses impairment of all its financial assets measured at cost or amortized cost. The Association groups assets for impairment testing when no asset is individually significant. Management considers whether the issuer is having significant financial difficulty or whether there has been a breach in contract 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.

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 at the statement of financial position date; 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 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 deficiency of revenue over expenses in the year the reversal occurs.

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.

As of the date of the financial statements, the measures taken to contain the spread of COVID-19 continue to impact the jurisdictions in which the Association operates. All of the Association's business activities continue to function with the implementation of enhanced public health related safeguards. Management continues to assess the impact of COVID-19 and governments' responses to it on the Association. Portions of the financial results incorporate estimates from management that are subject to increased uncertainty due to market disruptions caused by the COVID-19 pandemic. The amounts recorded in these financial statements are based on the latest reliable information available to management at the time the financial statements were prepared, where that information reflects conditions as at the date of the financial statements. However, there is inherent uncertainty about these assumptions and estimates which could result in outcomes that require adjustments to the carrying amounts of affected assets or liabilities in the future.

3. Accounts receivable

Included in accounts receivable at year end is \$615 (2021 - \$2,904) receivable from Brookfield Residential, a company related by virtue of its ability to determine the strategic operating, investing and financing decisions of the Association.

Livingston Homeowners Association
Notes to the Financial Statements
For the year ended March 31, 2022

4. Capital assets

			2022	2021
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net book value</i>	<i>Net book value</i>
Land	6,402,236	-	6,402,236	6,402,236
Buildings	16,190,355	548,023	15,642,332	15,730,078
Park amenities	2,743,200	155,198	2,588,002	2,697,730
Decorative corners	1,077,695	92,759	984,936	1,028,044
Furniture and fixtures	222,659	38,603	184,056	94,360
Automotive	113,796	11,665	102,131	35,842
	26,749,941	846,248	25,903,693	25,988,290

During the year, capital assets were acquired at an aggregate cost of \$512,918 (2021 - \$8,840,447), of which \$512,918 (2021 - \$8,769,355) was acquired in cash and \$nil (2021 - \$71,092) was contributed by Brookfield Residential. These contributed capital assets were recorded at fair market value at the time of the contribution.

5. Accounts payable and accrued liabilities

	2022	2021
Trade payables and accrued liabilities	61,263	445,525
Employee source deductions	-	597
	61,263	446,122

6. Deferred revenue

Deferred revenue consists of \$242,573 (2021 - \$114,916) of subsequent year membership dues received in the current year, \$nil (2021 - \$4,308) of cash received for subsequent year programs, and \$10,077 (2021 - \$nil) of cash received for subsequent year rental fees. 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. Recognition of rental amounts as revenue will occur when the rental takes place.

Livingston Homeowners Association
Notes to the Financial Statements
For the year ended March 31, 2022

7. 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 \$680,046 (2021 - \$1,085,698) to the Association, the Association made repayments of \$1,293,852 (2021 - \$7,437) on these advances and the Association incurred interest of \$17,818 (2021 - \$22,841) which has been accrued at year end. Included in advances from Brookfield Residential at year end are amounts owing under these operational advances of \$650,584 (2021 - \$1,264,390). These advances are unsecured, repayable on demand as funds become available and bear interest at prime rate plus 0.20% (2021 - prime rate plus 0.75%). At year end, the prime rate was 2.70% (2021 - 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 \$341,000 (2021 - \$nil) and the Association made repayments on these advances of \$341,000 (2021 - \$9,753,220) which included \$nil interest (2021 - \$12,784). At year end, the balance of construction related advances owing to Brookfield Residential amounted to \$nil (2021 - \$nil) plus accrued interest of \$nil (2021 - \$nil). These advances were subject to the same terms and conditions as the advances noted in a) above.
- c) During the year, Brookfield Residential contributed \$nil (2021 - \$27,143) of land, \$nil (2021 - \$25,000) of park amenities and \$nil (2021 - \$18,950) 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.

8. Demand loan

2022 **2021**

ATB has provided the Association with a non-revolving demand loan facility in the amount of \$18,811,695 (2021 - \$18,250,000) to finance the Association's recreational facility. The loan bears interest at prime plus 0.20% (2021- prime plus 0.75%) per annum and is repayable in blended monthly payments of \$73,450 until May 31, 2026 when blended monthly repayments increase to \$114,841. 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 homeowner dues owing. The prime rate in effect at March 31, 2022 was 2.70% (2021 - 2.45%).

18,285,237 18,250,000

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

2023	351,982
2024	364,320
2025	377,089
2026	565,962
2027	943,221

Livingston Homeowners Association
Notes to the Financial Statements
For the year ended March 31, 2022

9. Long-term debt

	2022	2021
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 \$47,374.	46,599	59,307
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 \$40,499.	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 \$29,532.	26,780	-
	111,566	59,307
Less: Current portion	29,870	12,709
	81,696	46,598

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

2023	29,870
2024	30,409
2025	30,981
2026	20,306
	<hr/>
	111,566

10. 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:

	2022	2021
Balance, beginning of year	1,052,878	1,051,570
Amount received during the year	1,687,084	-
Contributed capital assets	-	43,950
Less: amounts recognized as revenue during the year	(86,285)	(42,642)
Balance, end of year	2,653,677	1,052,878

Livingston Homeowners Association
Notes to the Financial Statements
For the year ended March 31, 2022

11. Net assets invested in capital assets

	2022	2021
Amortization of capital assets	(597,515)	(241,557)
Amortization of deferred capital contributions	86,285	42,642
Deficiency of revenue over expenses	(511,230)	(198,915)

12. Commitments

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

2023	7,320
2024	7,320
2025	6,920
2026	6,120
	27,680

13. Government assistance

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

During the prior year, the Association claimed an aggregate subsidy under this program of 2021 - \$1,106, which was included in interest and other revenue on the statement of operations.

14. 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 8.

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.

14. Financial instruments *(Continued from previous page)*

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.

15. Comparative figures

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