ORCHARDS RESIDENTS ASSOCIATION

FINANCIAL STATEMENTS

December 31, 2024

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Independent Auditor's Report

To the Board of Directors of Orchards Residents Association

Opinion

We have audited the financial statements of Orchards Residents Association (the "Association"), which comprise the statement of financial position as at December 31, 2024, 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 December 31, 2024, 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 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
April 21, 2025

ORCHARDS RESIDENTS ASSOCIATION
Statement of Financial Position
As at December 31

	2024	2023
CURRENT ASSETS		
Cash	$ **100,964**	$ 73,700
Accounts receivable (Notes 4)	**16,853**	19,313
Prepaid expenses and deposits	**23,085**	19,359
	140,902	112,372
CAPITAL ASSETS (Note 2)	**6,819,444**	6,884,793
	$ **6,960,346**	$ 6,997,165
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	$ **98,983**	$ 71,226
Goods and services tax	**14,635**	14,708
Demand loan payable (Note 3)	**2,946,104**	3,085,963
Loan payable (Note 4)	**20,000**	-
Deferred revenue	**431,353**	366,073
Current portion of capital lease obligation (Note 5)	**19,659**	-
Current portion of long-term debt (Note 9)	**-**	60,000
	3,530,734	3,597,970
DEFERRED CAPITAL CONTRIBUTIONS (Note 6)	**1,524,892**	1,604,411
LONG-TERM PORTION OF CAPITAL LEASE OBLIGATION (Note 5)	**34,457**	-
	5,090,083	5,202,381
NET ASSETS (DEFICIENCY) (Note 7)		
Net assets invested in capital assets	**5,294,552**	5,280,382
Unrestricted net deficiency	**(3,424,289)**	(3,485,598)
	1,870,263	1,794,784
	$ **6,960,346**	$ 6,997,165

Commitments (Note 8)
Credit Limit (Note 10)

Approved on behalf of the Association:

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Christine Palmer
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_______________, Director

_______________, Director

ORCHARDS RESIDENTS ASSOCIATION
Statement of Operations
For the year ended December 31

	2024	2023
REVENUE		
Membership fees	$ 1,090,692	$ 917,878
Rental and programming	378,282	329,450
Interest and other (Note 4)	97,858	73,771
Amortization of deferred capital contributions (Note 6)	79,518	79,518
Sponsor	30,238	28,556
Grant	14,300	1,000
Gain on disposal of capital assets	10,082	-
	1,700,970	1,430,173
EXPENSES		
Salaries and benefits	680,939	649,375
Loan interest (Note 5)	220,222	234,112
Amortization	179,532	179,111
Utilities	147,490	120,580
Amenity operations	115,791	106,350
Administration	109,077	100,856
Programs and events	97,647	79,549
Professional fees (Note 4)	52,758	52,303
Insurance	22,035	20,835
	1,625,491	1,543,071
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 75,479	$ (112,898)

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

ORCHARDS RESIDENTS ASSOCIATION
Statement of Changes in Net Assets
At December 31

	Invested in Capital Assets	Unrestricted	2024	2023
BALANCE, BEGINNING OF YEAR	**$ 5,280,382**	**$ (3,485,598)**	**$ 1,794,784**	**$ 1,907,682**
Acquisition of capital assets	124,266	(124,266)	-	-
Gain on disposal of capital assets	(10,082)	10,082		
Excess (deficiency) of revenues over expenses	-	75,479	75,479	(112,898)
Amortization of capital assets	(179,532)	179,532	-	-
Amortization of deferred capital contributions	79,518	(79,518)	-	-
BALANCE, END OF YEAR	**$ 5,294,552**	**$ (3,424,289)**	**$ 1,870,263**	**$ 1,794,784**

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

ORCHARDS RESIDENTS ASSOCIATION
Statement of Cash Flows
For the year ended December 31

	2024	2023
NET INFLOW (OUTFLOW) OF CASH RELATED TO:		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	$ 75,479	$ (112,898)
Items not affecting cash		
Amortization of capital assets	179,532	179,111
Amortization of deferred capital contribution	(79,518)	(79,518)
Gain on disposal of capital assets	(10,082)	-
	165,411	(13,305)
Changes in non-cash working capital items		
Accounts receivable	2,460	6,685
Prepaid expenses and deposits	(3,726)	(1,234)
Accounts payable and accrued liabilities	27,758	(2,600)
Goods and services tax	(73)	2,565
Deferred revenue	65,280	56,108
	257,110	48,219
INVESTING ACTIVITIES		
Acquisition of capital assets	(124,313)	(62,922)
Proceeds on disposal of capital assets	20,212	-
	(104,101)	(62,922)
FINANCING ACTIVITIES		
Advance from Brookfield Residential	20,000	-
Advance from capital lease obligation	59,969	-
Repayments of capital lease obligation	(5,855)	-
Repayments of demand loan payable	(139,859)	(107,677)
Repayment of long-term debt	(60,000)	-
	(125,745)	(107,677)
NET CASH INFLOW (OUTFLOW)	27,264	(122,380)
CASH, BEGINNING OF YEAR	73,700	196,080
CASH, END OF YEAR	$ 100,964	$ 73,700

ORCHARDS RESIDENTS ASSOCIATION
Notes to the Financial Statements
December 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES

a) Purpose

The Orchards Residents Association (the "Association") was incorporated as a not-for-profit corporation on November 5, 2010 under Section 9 of the Companies Act of the Province of Alberta, R.S.A. 1980. As such, the Association is exempt from income tax under Section 149 of the Income Tax Act. The Association owns and operates amenities for the use of its members, the residents of Orchards. The operations of the Association are governed by the Orchards Management Agreement (the "Agreement") dated March 31, 2011, as amended by an Amending Agreement dated April 15, 2011 between the Association and Brookfield Residential (Alberta) LP ("Brookfield Residential").

b) 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").

c) Cash

Cash consists of cash held at financial institutions and cash on hand.

d) Revenue Recognition

The Association uses the deferral method of accounting for contributions. Contributions of capital assets or funds for the purchase of capital assets which are subject to amortization are deferred and amortized on the same basis as those capital assets. Contributions of capital assets or funds for the purchase of capital assets which are not subject to amortization are recorded as a direct increase to net assets.

Membership fees are recognized as revenue in the year to which they relate. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions, such as grants and donations not designated for a specific purpose, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Program and rental revenues, sponsor revenues, and interest are recorded on an accrual basis and are recognized when amounts are known and collection is reasonably assured.

Government assistance is recognized as revenue when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Interest and other revenue is recorded on an accrual basis in the period in which it is earned.

Deferred revenue includes membership, rental and program fees that arises from receipt of payments in advance of the period in which they will be earned.

1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

e) 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 accrued liabilities. Actual results could differ from these estimates.

In the event that facts and circumstances indicate that the Association's long lived assets may be impaired, a test of recoverability would be performed.

Such a test entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to fair value is required.

For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group. An asset group is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

f) Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Asset recorded under capital lease is amortized on a straight-line basis over the term of the lease, which is the estimated useful life of the asset.

All other leases are accounted for as operating leases wherein rental payments are expensed on a straight line basis.

1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

g) 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, unless fair value is not determinable in which case contributed capital assets are recorded at nominal value at the date of contribution. Contributed assets are subsequently amortized. Expenditures for repairs and maintenance are expenses as incurred. Betterments that extend the useful life of the capital asset are capitalized.

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

Buildings	40 years
Park amenities	25 years
Equipment	5 years
Vehicles	10 years

Land is not subject to amortization.

h) Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the Association's long lived assets may be impaired, a test of recoverability would be performed.

Such a test entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to fair value is required.

For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group. An asset group is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

i) Financial instruments

Arm's length financial instruments are recorded at fair value at initial recognition.

Related party financial instruments quoted in an active market or those with observable inputs significant to the determination of fair value or derivative contracts are recorded at fair value at initial recognition. All other related party financial instruments are recorded at cost at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

2. CAPITAL ASSETS

	2024			2023
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Building	**$ 3,085,039**	**$ 541,130**	**$ 2,543,909**	$ 2,574,267
Park amenities	**1,817,967**	**554,512**	**1,263,455**	1,328,073
Equipment	**276,277**	**215,956**	**60,321**	66,230
Vehicles	**165,692**	**78,433**	**87,259**	51,723
	5,344,975	**1,390,031**	**3,954,944**	4,020,293
Land	**2,864,500**	**-**	**2,864,500**	2,864,500
	$ 8,209,475	**$ 1,390,031**	**$ 6,819,444**	$ 6,884,793

Included in vehicles, there is an asset held under capital lease with a cost of $61,501 (2023 - $nil) and accumulated amortization of $1,817 (2023 - $nil).

3. DEMAND LOAN

Alberta Treasury Branch ("ATB") provided the Association with following facilities;

1) Non-revolving demand loan facility with a maximum amount of $3,125,928 (2023 - $3,125,928). This loan bears interest at the ATB prime rate plus 0.50% (2023 - prime rate plus 0.50%) per annum, is due on demand and is payable in monthly blended payments of $30,007 (2023 - $30,007).

2) Revolving demand loan facility with a maximum amount of $100,000 (2023 - $100,000). This loan bears interest at the ATB prime rate plus 0.50% (2023 - prime rate plus 0.50%) per annum, is due on demand.

These loans are secured by a general security agreement covering the Association's present and acquired property and proceeds, a first mortgage agreement registered against the property in the amount of $3,800,000 (2023 - $3,800,000), postponement and assignment of claims from Brookfield Residential, and comfort letter from Brookfield Residential, covering all debt servicing shortfalls up to the Effective Date (defined in Note 4).

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

2025	$	138,035
2026		149,047
2027		160,938
2028		173,777
2029		187,640
Thereafter		2,136,667
	$	**2,946,104**

4. RELATED PARTY TRANSACTIONS

The Orchards Management Agreement grants Brookfield Residential control of the management of the Association and management of the Orchards' 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) six (6) months after the date upon which Brookfield Residential has sold its last lands within the Orchards development; or, (ii) the date upon which all amounts owing to Brookfield Residential have been repaid. Brookfield Residential may, at an earlier date and at its discretion, transfer portions of the amenities or certain aspects of management to the Association.

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

a) The Association recorded $70,306 (2023 - $64,971) in revenue for services provided to Brookfield Residential which requires the Association to maintain certain public areas within the Brookfield Communities. An amount due from Brookfield Residential of $8,963 (2023 - $7,347) is included in accounts receivable at year end.

b) The following expenses were incurred for services provided to the Association by Brookfield Residential Development; a company related to Brookfield Residential:

	2024	2023
Administration	**$ 36,000**	$ 36,000

The amount above is included in professional fee expense at year end. Of this amount, $9,450 (2023 - $9,450) is included in accounts payable and accrued liabilities.

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

c) Brookfield Residential agreed to lend funds to the Association to cover shortfalls in the operating budget, subject to certain conditions defined in the Amenities Agreement. During the year, Brookfield Residential advanced the Association an amount of $20,000 (2023 - $nil). The amount is non-interest bearing and was repaid on February 28, 2025.

ORCHARDS RESIDENTS ASSOCIATION
Notes to the Financial Statements
December 31, 2024

5. CAPITAL LEASE OBLIGATION

In October 2024, the Association entered into a financial agreement for a new tractor. This lease bears interest at 1.99% per annum, is due on demand and is payable in monthly blended payments of $1,717, which commenced October 2024 and mature in October 2027. The loan is secured by the asset which has a net book value of $59,684.

	2024
Current portion of capital lease obligation	**$ 19,659**
Long-term portion of capital lease obligation	**34,457**
	$ 54,116

Future minimum lease payments under the capital lease are as follows:

	2025	$ 20,608
	2026	20,608
	2027	14,482
		55,698
Less: Imputed interest		(1,582)
		$ 54,116

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions relate to capital assets contributed to the Association by Brookfield Residential. The balance consists of $2,135,500 (2023 - $2,135,500), less accumulated amortization of $610,608 (2023 - $531,089). The land contributed by Brookfield Residential in 2013 is not subject to amortization and was therefore recorded as a direct increase to net assets.

7. NET ASSETS (DEFICIENCY)

The Association may budget and set aside any of the accumulated excess of revenues over expenditures to create a reserve fund for the purpose of replacing future assets, maintaining the property, and meeting contingencies. Currently, the Association has an unrestricted net deficiency of $3,424,289 (2023 - $3,485,598) and has internally restricted the net assets invested in capital assets of $5,294,552 (2023 - $5,280,382).

8. COMMITMENTS

The Association has commitments related to an operating lease for office equipment and software. Payments expected over the remaining term of the lease are as follows:

2025	$ 2,309
2026	2,309
2027	289
	$ 4,907

9. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

The Association received an interest-free Canada Emergency Business Account (CEBA) loan to alleviate operational challenges stemming from the COVID-19 pandemic. During the year, the Association repaid the loan to the government.

10. CREDIT LIMIT

At December 31, 2024, the Association has a total credit card limit of $10,000 (2023 - $5,000), of which $6,194 (2023 - $1,646) has been used at year end.

11. 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. There have been no significant changes in the risk since prior 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 the demand loan from ATB, 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.

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Association's credit risk is primarily attributable to its accounts receivable. The accounts receivable represents annual charges not collected from members and other receivables from Brookfield Residential and government subsidies. 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 Association also has a number of members which minimizes the concentration of credit risk.

c) Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations with financial liabilities, including the risk that the Association will not have sufficient funds to settle a transaction on the due date. The Association is exposed to this risk in respect of its accounts payable and accrued liabilities, goods and services tax payable, and the demand loan.