

ORCHARDS RESIDENTS ASSOCIATION

FINANCIAL STATEMENTS

December 31, 2025

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

	<u>2025</u>	<u>2024</u>
REVENUE		
Membership fees (Note 10)	\$ 1,290,333	\$ 1,090,692
Rental and programming	392,601	378,282
Interest and other	85,070	97,858
Amortization of deferred capital contributions (Note 6)	79,518	79,518
Sponsor	40,020	30,238
Grant	1,898	14,300
Gain on disposal of capital assets	-	10,082
	<u>1,889,440</u>	<u>1,700,970</u>
EXPENSES		
Salaries and benefits	743,015	680,939
Amortization	190,769	179,532
Interest	149,276	220,222
Administration	126,204	109,077
Amenity operations	121,456	115,791
Programs and events	108,910	97,647
Utilities	101,430	147,490
Professional fees (Note 4)	56,476	52,758
Insurance	21,963	22,035
	<u>1,619,499</u>	<u>1,625,491</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 269,941</u>	<u>\$ 75,479</u>

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	2025	2024
BALANCE, BEGINNING OF YEAR	\$ 5,294,552	\$ (3,424,289)	\$ 1,870,263	\$ 1,794,784
Acquisition of capital assets	94,266	(94,266)	-	-
Excess of revenues over expenses	-	269,941	269,941	75,479
Amortization of capital assets	(190,769)	190,769	-	-
Amortization of deferred capital contributions	79,518	(79,518)	-	-
BALANCE, END OF YEAR	<u>\$ 5,277,567</u>	<u>\$ (3,137,363)</u>	<u>\$ 2,140,204</u>	<u>\$ 1,870,263</u>

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

	<u>2025</u>	<u>2024</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO:		
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 269,941	\$ 75,479
Items not affecting cash		
Amortization of capital assets	190,769	179,532
Amortization of deferred capital contribution	(79,518)	(79,518)
Gain on disposal of capital assets	-	(10,082)
	<u>381,192</u>	<u>165,411</u>
Changes in non-cash working capital items		
Accounts receivable	(27,816)	2,460
Prepaid expenses and deposits	(655)	(3,726)
Accounts payable and accrued liabilities	(43,713)	27,758
Goods and services tax payable	347	(73)
Deferred revenue	74,931	65,280
	<u>384,286</u>	<u>257,110</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	(94,266)	(124,313)
Proceeds on disposal of capital assets	-	20,212
	<u>(94,266)</u>	<u>(104,101)</u>
FINANCING ACTIVITIES		
Advance from Brookfield Residential	(20,000)	20,000
Advance from capital lease obligation	-	59,969
Repayments of capital lease obligation	(20,608)	(5,855)
Repayments of demand loan payable	(190,220)	(139,859)
Repayments of long-term debt	-	(60,000)
	<u>(230,828)</u>	<u>(125,745)</u>
NET CASH INFLOW	59,192	27,264
CASH, BEGINNING OF YEAR	<u>100,964</u>	<u>73,700</u>
CASH, END OF YEAR	<u>\$ 160,156</u>	<u>\$ 100,964</u>

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

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 residents. 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.

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.

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.

Assets under construction are recorded at cost. Upon completion, when the asset is ready for use, total costs are transferred to the appropriate capital asset account and amortization commences at that time.

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

Equipment	5 years
Vehicles	10 years
Park Amenities	25 years
Building	40 years

Land is not subject to amortization.

1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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 excess of revenue over expenses.. 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 excess of revenue over expenses.

ORCHARDS RESIDENTS ASSOCIATION
Notes to the Financial Statements
December 31, 2025

2. CAPITAL ASSETS

	2025		2024	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 3,102,582	\$ 618,005	\$ 2,484,577	\$ 2,543,909
Park amenities	1,817,967	627,231	1,190,736	1,263,455
Equipment	352,954	237,186	115,768	60,321
Vehicles	165,692	98,379	67,313	87,259
	<u>5,439,195</u>	<u>1,580,801</u>	<u>3,858,394</u>	<u>3,954,944</u>
Land	2,864,500	-	2,864,500	2,864,500
	<u>\$ 8,303,695</u>	<u>\$ 1,580,801</u>	<u>\$ 6,722,894</u>	<u>\$ 6,819,444</u>

Included in vehicles, there is an asset held under capital lease with a cost of \$61,501 (2024 - \$61,501) and accumulated amortization of \$8,188 (2024 - \$1,817).

3. DEMAND LOAN

Alberta Treasury Branch ("ATB") provided the Association with a non-revolving demand loan facility ("Facility 1") with a maximum amount of \$3,125,928 (2024 - \$3,125,928). This loan bears interest at the ATB prime rate plus 0.20% (2024 - prime rate plus 0.50%) per annum, is due on demand and is payable in monthly blended payments of \$26,567 (2024 - \$30,007).

The Association also has access to Revolving demand loan facility ("Facility 2") with a maximum amount of \$100,000 (2024 - \$100,000). This loan bears interest at the ATB prime rate plus 0.50% (2024 - prime rate plus 0.50%) per annum, is due on demand. As at year-end, there were no amounts drawn on this facility (2024 - \$nil).

The facilities 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 (2024 - \$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:

2026	\$ 188,329
2027	197,381
2028	207,273
2029	217,661
2030	228,569
Thereafter	<u>1,716,725</u>
	<u>\$ 2,755,938</u>

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 \$76,838 (2024 - \$70,306) 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 \$nil (2024 - \$8,963) 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:

	2025	2024
Administration	<u>\$ 36,000</u>	<u>\$ 36,000</u>

The amount above is included in professional fee expense at year end. Of this amount, \$9,450 (2024 - \$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 \$nil (2024 - \$20,000). The prior year amount is non-interest bearing and was repaid on February 28, 2025.

ORCHARDS RESIDENTS ASSOCIATION
Notes to the Financial Statements
December 31, 2025

5. CAPITAL LEASE OBLIGATION

The Association has an ongoing capital lease obligation related to a tractor, requiring monthly blended payments of \$1,717 (2024 - \$1,717), maturing in October 2027. This lease bears interest at 1.99% per annum (2024 - 1.99% per annum). The loan is secured by the asset which has a net book value of \$53,313.

	2025	2024
Current portion of capital lease obligation	\$ 20,053	\$ 19,659
Long-term portion of capital lease obligation	13,455	34,457
	<u>\$ 33,508</u>	<u>\$ 54,116</u>

Future principal lease payments under the capital leases for subsequent years are as follows:

2026	\$ 20,608
2027	14,750
	<u>35,358</u>
Less: Imputed interest	(1,850)
	<u>\$ 33,508</u>

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 (2024 - \$2,135,500), less accumulated amortization of \$690,126 (2024 - \$610,608). 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 \$3,137,363 (2024 - \$3,424,289) and has internally restricted the net assets invested in capital assets of \$5,277,567 (2024 - \$5,294,552).

ORCHARDS RESIDENTS ASSOCIATION
Notes to the Financial Statements
December 31, 2025

8. COMMITMENTS

The Association has commitments related to an operating lease for office equipment and software. Payments

2026	\$	2,309
2027		<u>289</u>
	\$	<u><u>2,598</u></u>

9. CREDIT LIMIT

At December 31, 2025, the Association has a total credit card limit of \$10,000 (2024 - \$5,000), of which \$4,379 (2024 - \$6,194) has been used at year end.

10. MEMBERSHIP FEE

The Association recognizes upfront non-refundable fees or payments in revenue upon entering into the agreement:

		<u>2025</u>	<u>2024</u>
Membership fees		<u>\$ 1,290,333</u>	<u>\$ 1,090,692</u>

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.