CHAPPELLE GARDENS RESIDENTS ASSOCIATION

FINANCIAL STATEMENTS

December 31, 2024

Tel: 403 266 5608
Fax: 403 233 7833
www.bdo.ca

BDO Canada LLP
903 – 8th Avenue SW, Suite 620
Calgary AB T2P 0P7
Canada

Independent Auditor's Report

To the Board of Directors of Chappelle Gardens Residents Association

Opinion

We have audited the financial statements of Chappelle Gardens 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

CHAPPELLE GARDENS RESIDENTS ASSOCIATION
Statement of Financial Position
As at December 31

	2024	2023
CURRENT ASSETS		
Cash	**$ 176,788**	$ 190,971
Accounts receivable (Note 3)	**22,300**	19,594
Prepaid expenses	**22,856**	23,403
	221,944	233,968
CAPITAL ASSETS (Note 2)	**7,388,142**	7,566,618
	$ 7,610,086	$ 7,800,586
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 3 & 8)	**75,921**	89,650
Goods and services tax payable	**12,151**	15,214
Demand loan payable (Note 5)	**2,678,740**	2,813,590
Deferred revenue	**329,772**	380,172
Current portion of capital lease obligation (Note 4)	**12,693**	-
	3,109,277	3,298,626
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	**2,062,731**	2,176,838
LONG TERM PORTION OF CAPITAL LEASE OBLIGATION	**14,808**	-
	5,186,816	5,475,464
NET ASSETS (DEFICIENCY) (Note 6)		
Net assets invested in capital assets	**5,325,411**	5,389,780
Unrestricted net deficiency	**(2,902,141)**	(3,064,658)
	2,423,270	2,325,122
	$ 7,610,086	$ 7,800,586

Commitments (Note 9)
Credit limit (Note 10)

Approved on behalf of the Association:

Signed by:
Ollis, Warren
F1A4E5904B2D4F5...
2025-04-21 | 12:34:36 PDT
Director

Signed by:
Olugbenga, Tolulope
89A6565AE2BB465...
2025-04-17 | 13:28:20 PDT
Director

CHAPPELLE GARDENS RESIDENTS ASSOCIATION
Statement of Operations
For the year ended December 31

	2024	2023
REVENUE		
Membership fees	$ 1,118,684	$ 927,447
Rental and programming	206,856	219,810
Amortization of deferred capital contribution (Note 7)	114,107	114,106
Interest and other (Note 3)	65,428	75,967
Grant	30,996	20,000
Sponsor	18,582	18,048
	$ 1,554,653	$ 1,375,378
EXPENSES		
Salaries and benefits	607,558	570,113
Amortization of capital assets	237,026	233,389
Interest	200,622	213,692
Utilities	95,811	93,879
Administration	90,017	88,884
Repairs and maintenance	77,454	61,002
Programs and events	66,558	65,869
Professional fees (Note 3)	53,853	63,455
Insurance	20,410	19,260
Advertising and promotion	6,746	8,491
Property tax	450	416
	1,456,505	1,418,450
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 98,148	$ (43,072)

CHAPPELLE GARDENS RESIDENTS ASSOCIATION
Statement of Changes in Net Assets
At December 31

	Invested in Capital Assets	Unrestricted	2024	2023
BALANCE, BEGINNING OF YEAR	**$ 5,389,780**	**$ (3,064,658)**	**$ 2,325,122**	$ 2,368,194
Acquisition of capital assets	58,550	(58,550)	-	-
Excess (deficiency) of revenue over expenses	-	98,148	98,148	(43,072)
Amortization of capital	(237,026)	237,026	-	-
Amortization of deferred contributions	114,107	(114,107)	-	-
BALANCE, END OF YEAR	**$ 5,325,411**	**$ (2,902,141)**	**$ 2,423,270**	$ 2,325,122

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

	2024	2023
NET (OUTFLOW) INFLOW OF CASH RELATED TO:		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	**$ 98,148**	$ (43,072)
Items not affecting cash		
Amortization of capital assets	**237,026**	233,389
Amortization of deferred capital contribution	**(114,107)**	(114,106)
	221,067	76,211
Changes in non-cash working capital items		
Accounts receivable	**(2,706)**	6,944
Prepaid expenses	**547**	(6,443)
Accounts payable and accrued liabilities	**(13,729)**	25,926
Goods and services tax	**(3,063)**	3,477
Deferred revenue	**(50,400)**	85,102
	151,716	191,217
INVESTING ACTIVITIES		
Acquisition of capital assets	**(58,550)**	(38,190)
FINANCING ACTIVITIES		
Repayments of demand loan payable	**(134,850)**	(108,379)
Repayment of loan payable	**-**	(60,000)
Advances from capital lease obligation	**27,501**	-
	(107,349)	(168,379)
NET CASH OUTFLOW	**(14,183)**	(15,352)
CASH, BEGINNING OF YEAR	**190,971**	206,323
CASH, END OF YEAR	**$ 176,788**	$ 190,971

1. SIGNIFICANT ACCOUNTING POLICIES

a) Purpose

The Chappelle Gardens Residents Association (the "Association") was incorporated as a not-for-profit corporation on August 25, 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 Chappelle Gardens. The operations of the Association are governed by the Chappelle Gardens 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.

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 expensed as incurred. Betterments that extend the useful life of the capital asset are capitalized.

1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

g) Capital Assets (continued)

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.

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.

CHAPPELLE GARDENS RESIDENTS ASSOCIATION
Notes to the Financial Statements
December 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

i) Financial instruments (continued)

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 excess (deficiency) of revenue over expenses.

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.

2. CAPITAL ASSETS

	2024			2023
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	$ 187,932	$ 168,949	$ 18,983	$ 25,566
Vehicles	174,393	119,941	54,452	34,579
Park Amenities	3,840,520	1,186,000	2,654,520	2,789,551
Building	2,269,400	454,213	1,815,187	1,871,922
	6,472,245	1,929,103	4,543,142	4,721,618
Land	2,845,000	-	2,845,000	2,845,000
	$ 9,317,245	$ 1,929,103	$ 7,388,142	$ 7,566,618

Included in vehicles is an asset held under capital lease with a cost of $36,403 (2023 - $nil) and accumulated amortization of $2,730 (2023 - $nil).

3. RELATED PARTY TRANSACTIONS

The Agreement grants Brookfield Residential control of the management of the Association and management of the Chappelle Gardens' 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 Chappelle Gardens Lands; 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 received $55,254 (2023 - $46,237) for services provided to Brookfield Residential which requires the Association to maintain certain public areas within the Brookfield communities and an amount of $nil (2023 - $2,026) for services related to the Show Home Village within the Brookfield Communities. An amount due from Brookfield Residential of $7,702 (2023 - $5,190) is included in accounts receivable at year end.

b) The following expenses were incurred for services provided to the Association by Brookfield Properties 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.

4. CAPITAL LEASE OBLIGATION

During the year, the Association entered into a capital lease agreement for a new tractor, requiring monthly payments of $1,058, beginning in March 2024 and maturing in February 2027. The lease is non-interest-bearing and is secured by the asset, which has a net book value of $33,673.

		2024
Current portion of capital lease obligation	**$**	**12,693**
Long-term portion of capital lease obligation		**14,808**
	$	**27,501**

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

2025	$	12,693
2026		13,751
2027		1,057
	$	**27,501**

5. DEMAND LOAN

Alberta Treasury Branch ("ATB") provided the Association with a demand loan facility with a maximum amount of $2,841,538 (2023 - $2,841,538). This loan bears interest at the ATB prime rate plus 0.50% (2023 - ATB Prime rate plus 0.50%) per annum, is due on demand and is payable in monthly blended payments of $28,274 (2023 - $27,638). The loan is 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 $3,415,886 (2023 - $3,415,886), postponement and assignment of claims from Brookfield Residential, and a comfort letter from Brookfield Residential, covering all debt servicing shortfalls up to the Effective Date (defined in Note 3).

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	$	184,439
2026		193,158
2027		204,970
2028		217,139
2029		230,781
Thereafter		1,648,253
	$	**2,678,740**

6. 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 $2,902,141 (2023 - $3,064,658) and has internally restricted the net assets invested in capital assets of $5,325,411 (2023 - $5,389,780).

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions relate to capital assets contributed to the Association by Brookfield Residential. The balance consists of $3,009,371 (2023 - $3,009,371), less accumulated amortization of $946,640 (2023 - $832,533). The land contributed by Brookfield Residential in 2016 is not subject to amortization and was therefore recorded as a direct increase to net assets.

8. GOVERNMENT REMITTANCES

Included in accounts payable and accrued liabilities are government remittances payable of $1,096 (2023 - $90).

9. COMMITMENTS

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

2025	$	2,309
2026		2,309
2027		577
	$	**5,195**

10. CREDIT LIMIT

At December 31, 2024, the Association has a total credit limit of $8,000 (2023 - $8,000), of which $6,510 (2023 - $834) 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 risk since prior year. The risks and related management strategies are discussed below:

a) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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. 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 would encounter difficulty in meeting obligations with financial liabilities.

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, goods and service tax payable, and demand loan payable.