

CHAPPELLE GARDENS RESIDENTS ASSOCIATION

FINANCIAL STATEMENTS

December 31, 2025



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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, 2025, 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, 2025, 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 14, 2026

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

	<u>2025</u>	<u>2024</u>
CURRENT ASSETS		
Cash	\$ 212,569	\$ 176,788
Accounts receivable (Note 3 & 9)	157,356	22,300
Prepaid expenses	21,131	22,856
	<u>391,056</u>	<u>221,944</u>
CAPITAL ASSETS (Note 2)	<u>7,300,255</u>	<u>7,388,142</u>
	<u>\$ 7,691,311</u>	<u>\$ 7,610,086</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 3 & 8)	\$ 75,272	\$ 75,921
Goods and services tax payable	8,495	12,151
Demand loan payable (Note 5)	2,497,778	2,678,740
Deferred revenue	466,014	329,772
Current portion of capital lease obligation (Note 4)	12,693	12,693
	<u>3,060,252</u>	<u>3,109,277</u>
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	1,948,625	2,062,731
LONG TERM PORTION OF CAPITAL LEASE OBLIGATION	2,115	14,808
	<u>5,010,992</u>	<u>5,186,816</u>
NET ASSETS (DEFICIENCY) (Note 6)		
Net assets invested in capital assets	5,351,630	5,325,411
Unrestricted net deficiency	(2,671,311)	(2,902,141)
	<u>2,680,319</u>	<u>2,423,270</u>
	<u>\$ 7,691,311</u>	<u>\$ 7,610,086</u>
Commitments (Note 10)		
Credit limit (Note 11)		

Approved on behalf of the Association:



Director

Olugbenga, Tolulope

Director

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

	<u>2025</u>	<u>2024</u>
REVENUE		
Membership fees (Note 12)	\$ 1,243,241	\$ 1,118,684
Rental and programming	235,985	206,856
Amortization of deferred capital contribution (Note 7)	114,106	114,107
Interest and other (Note 3)	95,005	65,428
Sponsor	19,984	18,582
Grant	800	30,996
	<u>1,709,121</u>	<u>1,554,653</u>
EXPENSES		
Salaries and benefits	645,946	607,558
Amortization of capital assets	234,779	237,026
Interest	135,541	200,622
Administration	97,349	90,017
Repairs and maintenance	94,332	77,454
Utilities	84,318	95,811
Programs and events	66,639	66,558
Professional fees (Note 3)	62,853	53,853
Insurance	20,346	20,410
Advertising and promotion	9,464	6,746
Property tax	505	450
	<u>1,452,072</u>	<u>1,456,505</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 257,049</u>	<u>\$ 98,148</u>

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

	Invested in Capital Assets	Unrestricted	2025	2024
BALANCE, BEGINNING OF YEAR	\$ 5,325,411	\$ (2,902,141)	\$ 2,423,270	\$ 2,325,122
Acquisition of capital assets	146,892	(146,892)	-	-
Excess of revenue over expenses	-	257,049	257,049	98,148
Amortization of capital assets	(234,779)	234,779	-	-
Amortization of deferred contributions	114,106	(114,106)	-	-
BALANCE, END OF YEAR	<u>\$ 5,351,630</u>	<u>\$ (2,671,311)</u>	<u>\$ 2,680,319</u>	<u>\$ 2,423,270</u>

CHAPPELLE GARDENS 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 revenue over expenses	\$ 257,049	\$ 98,148
Items not affecting cash		
Amortization of capital assets	234,779	237,026
Amortization of deferred capital contribution	<u>(114,106)</u>	<u>(114,107)</u>
	377,722	221,067
Changes in non-cash working capital items		
Accounts receivable	(135,056)	(2,706)
Prepaid expenses	1,725	547
Accounts payable and accrued liabilities	(649)	(13,729)
Goods and services tax payable	(3,656)	(3,063)
Deferred revenue	136,242	(50,400)
	<u>376,328</u>	<u>151,716</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	<u>(146,892)</u>	<u>(58,550)</u>
FINANCING ACTIVITIES		
Repayments of demand loan payable	(180,962)	(134,850)
Repayments (advances from) of capital lease obligation	<u>(12,693)</u>	<u>27,501</u>
	<u>(193,655)</u>	<u>(107,349)</u>
NET CASH INFLOW (OUTFLOW)	<u>35,781</u>	<u>(14,183)</u>
CASH, BEGINNING OF YEAR	176,788	190,971
CASH, END OF YEAR	<u>\$ 212,569</u>	<u>\$ 176,788</u>

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

CHAPPELLE GARDENS RESIDENTS ASSOCIATION

Notes to the Financial Statements

December 31, 2025

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 residents. 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.

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.

CHAPPELLE GARDENS RESIDENTS ASSOCIATION

Notes to the Financial Statements

December 31, 2025

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 accounts payable 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 expensed 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.

CHAPPELLE GARDENS RESIDENTS ASSOCIATION

Notes to the Financial Statements

December 31, 2025

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) Government Assistance

Government assistance related to current year operations is recognized as revenue in the period. Government assistance related to expenses of future accounting periods is deferred and amortized to income as related expenses are incurred.

Government assistance related to capital expenditure is deducted from the related fixed assets when received or receivable.

Government assistance receivable is accrued to the extent there is reasonable assurance that the Association has complied with, and will continue to comply with, all associated conditions. A liability to repay any amounts of previously received government assistance is accrued in the period in which conditions arise that will cause government assistance to be

j) 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.

CHAPPELLE GARDENS RESIDENTS ASSOCIATION
Notes to the Financial Statements
December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

j) Financial instruments (continued)

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.

2. CAPITAL ASSETS

	2025		2024	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	\$ 187,932	\$ 175,933	\$ 11,999	\$ 18,983
Vehicles	174,393	137,380	37,013	54,452
Park Amenities	3,987,412	1,339,621	2,647,791	2,654,520
Building	2,269,400	510,948	1,758,452	1,815,187
	<u>6,619,137</u>	<u>2,163,882</u>	<u>4,455,255</u>	<u>4,543,142</u>
Land	2,845,000	-	2,845,000	2,845,000
	<u>\$ 9,464,137</u>	<u>\$ 2,163,882</u>	<u>\$ 7,300,255</u>	<u>\$ 7,388,142</u>

Included in vehicles is an asset held under capital lease with a cost of \$36,403 (2024 - \$36,403) and accumulated amortization of \$6,370 (2024 - \$2,730).

During the year, the Association incurred additions of \$278,690 relating to park amenities. These additions were presented net of government assistance of \$131,798, received to fund the acquisition of the assets, resulting in net capital asset additions of \$146,892. The government assistance represents a restricted contribution and is disclosed in Note 9.

CHAPPELLE GARDENS RESIDENTS ASSOCIATION

Notes to the Financial Statements

December 31, 2025

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 \$56,321 (2024 - \$55,254) for services provided to Brookfield Residential which requires the Association to maintain certain public areas within the Brookfield communities, an amount of \$27,798 (2024 - \$Nil) for services related to the Show Home Village within the Brookfield Communities and an amount of \$5,000 (2024 - \$Nil) for services related to special events within the Brookfield Communities. An amount due from Brookfield Residential of \$1,098 (2024 - \$7,702) 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:

	2025	2024
Administration	\$ 36,000	\$ 36,000

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.

CHAPPELLE GARDENS RESIDENTS ASSOCIATION

Notes to the Financial Statements

December 31, 2025

4. CAPITAL LEASE OBLIGATION

The Association has an ongoing capital lease obligation related to a tractor, requiring monthly payments of \$1,058 (2024 - \$1,058), maturing in February 2027. The lease is non-interest-bearing and is secured by the asset, which has a net book value of \$30,032 (2024 - \$33,673)

	2025	2024
Current portion of capital lease obligation	\$ 12,693	\$ 12,693
Long-term portion of capital lease obligation	2,115	14,808
	<u>\$ 14,808</u>	<u>\$ 27,501</u>

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

2026	\$ 12,693
2027	2,115
	<u>\$ 14,808</u>

5. DEMAND LOAN

Alberta Treasury Branch ("ATB") provided the Association with a demand loan facility ("Facility #1") with a maximum amount of \$2,615,088 (2024 - \$2,841,538). This loan bears interest at the ATB prime rate plus 0.20% (2024 - ATB Prime rate plus 0.50%) per annum, is due on demand and is payable in monthly blended payments of \$25,019 (2024 - \$28,274).

The Association also has access to demand loan facility ("Facility 2") with a maximum amount of \$150,000 (2024 - \$100,000). This loan bears interest at the ATB prime rate plus 0.50% (2024 - ATB 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 \$3,415,886 (2024 - \$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:

2026	\$ 188,086
2027	197,021
2028	206,102
2029	216,171
2030	226,440
Thereafter	1,463,959
	<u>\$ 2,497,778</u>

CHAPPELLE GARDENS RESIDENTS ASSOCIATION

Notes to the Financial Statements

December 31, 2025

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 \$2,671,311 (2024 - \$2,902,141) and has internally restricted the net assets invested in capital assets of \$5,351,630 (2024 - \$5,325,411).

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 (2024 - \$3,009,371), less accumulated amortization of \$ 1,060,746 (2024 - \$946,640). 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 \$Nil (2024 - \$1,096).

9. GOVERNMENT ASSISTANCE

During the year, the Association was approved to receive grant funding of \$131,798 (2024 – \$Nil) from the Minister of Tourism and Sport for the purpose of supporting an active community initiative related to improvements of the community hockey rink. The Association was notified of the grant approval on October 22, 2025.

The related grant agreement was executed on January 5, 2026, following year-end. As the Association had received approval for the funding and had met the eligibility requirements as at year-end, the grant was recognized as a receivable at December 31, 2025. The funds were received on January 8,

Under the terms of the assistance, the funding is restricted for the approved purpose of restoration of hockey rink's functionality, extend its lifespan and support year-round recreational programming. The Association is required to notify the Minister of any significant changes in the approved purpose of the grant funding. The Association is liable for the full amount of the funding and is bound by all terms and conditions of the grant agreement.

The grant funding was fully applied toward eligible rink-related capital improvements incurred during the year, and all requirements associated with the grant were met.

CHAPPELLE GARDENS RESIDENTS ASSOCIATION

Notes to the Financial Statements

December 31, 2025

10. 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:

2026	\$	11,709
2027		14,677
2028		14,100
2029		14,100
2030		14,100
	\$	<u>68,686</u>

11. CREDIT LIMIT

At December 31, 2025, the Association has a total credit limit of \$8,000 (2024 - \$8,000), of which \$1,844 (2024 - \$6,510) has been used at year end.

12 MEMBERSHIP FEE

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

		2025		2024
Membership fees	\$	<u>1,243,241</u>	\$	<u>1,118,684</u>

13. 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.

CHAPPELLE GARDENS RESIDENTS ASSOCIATION

Notes to the Financial Statements

December 31, 2025

12. FINANCIAL INSTRUMENTS, CONTINUED

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.