Rockland Park Homeowners Association

Financial Statements

March 31, 2024

CHOW CONNOLLY LLP

Independent Auditors' Report

To the Board of Directors of
Rockland Park Homeowners Association

Opinion

We have audited the financial statements of Rockland Park Homeowners Association (the "Association"), which comprise the statement of financial position as at March 31, 2024 and the statement of operations and 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 Rockland Park Homeowners Association as at March 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 Auditors' 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 these financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to a 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 to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

CHOW CONNOLLY LLP

Independent Auditors' Report (Continued)

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

Independent Auditors' Report (Continued)

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.

Chow Connolly LLP

Chartered Professional Accountants

Calgary, Canada
September 26, 2024

Rockland Park Homeowners Association

Statement of Financial Position

March 31, 2024

	2024	2023
Assets		
Current Assets		
Cash	**$ 501,123**	$ -
Goods and Services Tax recoverable	**202,089**	238
Prepaid expense	**300**	-
Total Current Assets	**703,512**	238
Long-term deposits for property and equipment	**114,355**	-
Property and equipment (Note 3)	**4,370,790**	-
Total Assets	**$ 5,188,657**	$ 238
Liabilities and Net Assets (Deficiency)		
Current Liabilities		
Bank loan (Note 4)	**$ 3,357,729**	$ -
Accounts payable and accrued liabilities (Note 5)	**1,636,219**	3,440
Advances from related party (Note 6)	**230,356**	11,363
Total Liabilities	**5,224,304**	14,803
Net Assets (Deficiency)		
Unrestricted	**(35,647)**	(14,565)
Total Net Assets (Deficiency)	**(35,647)**	(14,565)
Total Liabilities and Net Assets (Deficiency)	**$ 5,188,657**	$ 238

Commitments (Note 8)

Approved on Behalf of the Board:

Karen Shopland, Director

_____, Director

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

Rockland Park Homeowners Association

Statement of Operations and Changes in Net Assets

For the Year Ended March 31, 2024

		2024		2023
Expenses				
Administrative	**$**	**2,270**	$	5,267
Amortization of deferred financing and transaction fees		**1,585**		-
Insurance		**152**		-
Management fees		**2,704**		-
Professional fees		**7,025**		2,773
Property taxes		**7,346**		1,200
Total Expenses		**21,082**		9,240
Deficiency of Revenue over Expenses		**(21,082)**		(9,240)
Deficiency of Net Assets, Beginning of Year		**(14,565)**		(5,325)
Deficiency of Net Assets, End of Year	**$**	**(35,647)**	$	(14,565)

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

Rockland Park Homeowners Association

Statement of Cash Flows

For the Year Ended March 31, 2024

	2024	2023
Cash Provided By (Used For) The Following Activities:		
Operating		
Deficiency of revenue over expenses	**$ (21,082)**	$ (9,240)
Non-cash item		
Amortization of deferred financing and transaction fees	**1,585**	-
Changes in working capital accounts		
Goods and Services Tax recoverable	**(201,851)**	(238)
Prepaid expense	**(300)**	-
Accounts payable and accrued liabilities	**8,669**	740
Total Cash Flow Used For Operating Activities	**(212,979)**	(8,738)
Investing		
Changes in working capital accounts		
Accounts payable and accrued liabilities	**1,624,110**	-
Long-term deposits for property and equipment	**(114,355)**	-
Property and equipment	**(4,370,790)**	-
Deferred financing and transaction fees	**(38,020)**	-
Total Cash Flow Used For Investing Activities	**(2,899,055)**	-
Financing		
Advances from related party	**3,085,835**	8,738
Repayments to related party	**(2,866,842)**	-
Advances from bank loan	**3,394,164**	-
Total Cash Flow From Financing Activities	**3,613,157**	8,738
Net Increase in Cash and Cash Equivalents	**501,123**	-
Cash and cash equivalents, beginning of year	**-**	-
Cash and Cash Equivalents, End of Year	**$ 501,123**	$ -

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

Rockland Park Homeowners Association

Notes to the Financial Statements

For the Year Ended March 31, 2024

1. Incorporation and Nature of the Organization

Rockland Park Homeowners Association (the "Association") was incorporated under the laws of the Province of Alberta as a not-for-profit organization on July 27, 2020 and thus is exempt from income taxes under section 149 (1)(e) of the Income Tax Act of Canada.

The Association will be operating amenities and providing maintenance services for its members, the residents of Rockland Park. The operations of the Association are governed by the Rockland Park Management Agreement (the "Management Agreement") dated October 5, 2020 between the Association and Brookfield Residential (Alberta) LP ("Brookfield Residential"). The Management Agreement grants Brookfield Residential the ability to control the management of the Association and management of the Association's affairs 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 months after the date upon which Brookfield Residential has sold its last lands within the Rockland Park Lands; or

ii. the date upon which all amounts owing to Brookfield Residential have been repaid.

Brookfield Residential may, at an earlier date at its discretion, transfer portions of the amenities or certain aspects of management to the Association. After the Effective Date, the Association becomes independent from Brookfield Residential and will no longer receive its financial support.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

a. Cash and Cash Equivalents

Cash includes balances with financial institutions.

b. Property and Equipment

Property and equipment is recorded at cost. Interest incurred to finance the construction of property and equipment is capitalized.

Property and equipment is not amortized until placed into service.

When conditions indicate property and equipment is impaired, the carrying value of the property and equipment is written down to the asset's fair value or replacement cost. The write-down of property and equipment is recorded as an expense in the statement of operations.

2. Significant Accounting Policies (Continued)

c. Revenue Recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

d. Contributed Materials and Services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Association's operations and would otherwise have been purchased.

e. Financial Instruments

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

f. Arm's Length Financial Instruments

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

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

The Association subsequently measures all arm's length financial instruments at cost or amortized cost.

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

g. Related Party Financial Instruments

The Association initially measures financial instruments originated/acquired or issued/assumed in a related party transaction ("related party financial instruments") at cost on initial recognition. When the related party financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the related party financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the related party financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received (refer to Note 6).

2. Significant Accounting Policies (Continued)

g. Related Party Financial Instruments (Continued)

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

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

h. Financial Asset Impairment

The Association assesses impairment of all its financial assets measured at cost or amortized cost. The Association groups assets for impairment testing when no asset is individually significant. Management considers whether the issuer is having significant financial difficulty or whether there has been a breach in contract in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Association determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

The Association reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year deficiency of revenue over expenses.

The Association reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in deficiency of revenue over expenses in the year the reversal occurs.

i. Measurement Uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accrued liabilities are based on management's estimates.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in deficiency of revenue over expenses in the years in which they become known.

Rockland Park Homeowners Association

Notes to the Financial Statements

For the Year Ended March 31, 2024

3. Property and Equipment

	Cost	Accumulated Depreciation	2024 Net Book Value	2023 Net Book Value
Building	$ 3,743,701	$ -	$ 3,743,701	$ -
Site Amenities	627,089	-	627,089	-
Total	**$ 4,370,790**	**$ -**	**$ 4,370,790**	**$ -**

At March 31, 2024, property and equipment is comprised of construction-in-progress amounts for a building and related site amenities. The Association incurred and capitalized loan interest of $18,509 (2023 - $Nil) directly attributable to the construction of property and equipment during the year ended March 31, 2024.

4. Bank Loan

	2024	2023
Bank loan	$ 3,394,164	$ -
Deferred financing and transaction fees	(38,020)	-
Accumulated amortization	1,585	-
Total	**$ 3,357,729**	**$ -**

During the year, the Association signed a credit facility commitment letter for the following:

Facility #1: Non-revolving demand loan facility for $11,200,000
Facility #1 is to finance the construction of a recreational facility of approximately 4,800 square feet and associated amenities in Rockland Park based on the project budget. Facility #1 is available by multiple draws on or before 24 months from the date of the initial advance. Any amount not drawn down at that date will be cancelled and no longer available to the Association unless further extended by the lender. The maximum amount available under Facility 1 is the lower of $11,200,000 and 75% of the Eligible Project Costs associated with the Project Lands including Land (at an imputed value of $6,400,000) and financing costs. Prime-based loans bear interest at prime plus 0.40% per annum. Facility #1 is repayable no later than 24 months from the date of the initial advance.

Facility #2: Non-revolving loan facility for $11,200,000
Facility #2 is available by way of prime-based and fixed-rate loans. Facility #2 is to provide long-term financing of the Project Lands. The advance under Facility #2 will be applied to repay in full Facility #1. Facility #2 is available by way of one draw on or before 24 months from the initial advance date of Facility #1 and 6 months after substantial completion of the Project. Any amount not drawn down at that date will be cancelled and no longer available to the Association unless further extended by the lender. Prime-based loans will bear interest at prime plus a rate to be determined per annum and is repayable on demand by the lender.

4. Bank Loan (Continued)

Facility #3: Revolving demand loan facility for $100,000
Facility #3 is available by way of prime-based loans to be used for general operating purposes. Prime-based loans bear interest at prime plus 0.40% per annum. Facility #3 is payable in full on demand and no later than September 30, 2025.

Credit Card Facility $10,000
The Association also has a credit card facility available to a maximum of $10,000.

The $28,000 non-refundable application fee has been deferred and will be recognized as an expense over the term of Facility #1. Non-refundable renewal fees of 10 bps are payable annually at renewal.

The above facilities are secured by a general security agreement over all present and acquired property located at or relating to the Project Lands, mortgage of $11,200,000 constituting a first fixed charge on the Project Lands, general assignment of rents and leases relating to the Project Lands, postponement and assignment of claims from Brookfield Residential (Alberta) LP by its general partner Carma Ltd., comfort letter executed by Brookfield Residential (Alberta) LP by its general partner Carma Ltd., assignment of insurance relating to the Project Lands and other security as required at closing.

The Association is subject to certain covenants including the provision of certain financial and operational information. The Association was not in violation of any financial covenants during the year ended March 31, 2024.

5. Accounts Payable and Accrued Liabilities

	2024	2023
Related party payables	**$ 1,073,261**	$ -
Other trade accounts payable and accrued liabilities	**562,958**	3,440
Total	**$ 1,636,219**	$ 3,440

At March 31, 2024, the Association owed Brookfield Residential and a Brookfield related company $1,073,261 (2023 - $Nil) as the companies paid for property and equipment costs on behalf of the Association.

6. Advances from Related Party

The advances from related party are unsecured, bear no interest and have no fixed terms of repayment.

7. Financial Instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

a. Liquidity Risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with the financial liabilities. The Association is exposed to this risk in respect of its accounts payable and accrued liabilities. The Association enters into transactions to borrow funds from Brookfield Residential for which repayment is required upon demand as funds become available.

b. Credit Concentration

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Association is exposed to concentration risk on its cash in that all of its cash is held with one financial institution. To minimize this risk, the Association places cash with a reputable financial institution in Canada.

c. 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 risk as the bank loan bears interest at a variable interest rate. The Association seeks to minimize any adverse impacts from interest rate changes by monitoring its operating and financing activities.

8. Commitments

At March 31, 2024, the Association was committed to approximately $6,500,000 with various vendors to construct the Rockland Park recreational facility and related amenities.