

Seton Homeowners Association

Financial Statements

March 31, 2025

Independent Auditors' Report

To the Board of Directors of
Seton Homeowners Association

Opinion

We have audited the financial statements of Seton Homeowners Association, which comprise the statement of financial position as at March 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 Seton Homeowners Association as at March 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 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.

Emphasis of Matter

We draw attention to Note 10 of the financial statements, which describes the effects of restating property and equipment for the contribution of land during the year ended March 31, 2023. Our opinion is not modified in respect of this matter.

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.

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
November 4, 2025

Seton Homeowners Association

Statement of Financial Position

March 31, 2025

	2025	2024 (Restated - Note 10)
Assets		
Current Assets		
Cash	\$ 156,509	\$ 821
Accounts receivable	17,426	-
Goods and Services Tax recoverable	453,649	1,415
Prepaid expenses	2,703	2,183
Total Assets	630,287	4,419
Long-term deposit for property and equipment	52,381	-
Property and equipment (Note 3)	17,436,191	7,712,500
Total Assets	\$ 18,118,859	\$ 7,716,919
Liabilities and Net Assets (Deficiency)		
Current Liabilities		
Bank loan (Note 4)	\$ 6,482,621	\$ -
Accounts payable and accrued liabilities (Note 5)	3,114,061	5,122
Advances from related parties (Note 6)	871,718	96,148
Total Liabilities	10,468,400	101,270
Deferred capital contributions (Note 7)	119,826	-
Total Liabilities	10,588,226	101,270
Net Assets		
Invested in property and equipment	10,886,125	7,712,500
Unrestricted	(3,355,492)	(96,851)
Total Net Assets	7,530,633	7,615,649
Total Liabilities and Net Assets	\$ 18,118,859	\$ 7,716,919

Commitments (Note 9)

Subsequent Event (Note 6)

Approved on Behalf of the Board:

Karen Shopland, Director

Kristine Aghajanova, Director

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

Seton Homeowners Association

Statement of Operations

For the Year Ended March 31, 2025

	2025	2024
Revenue		
Programs and events	\$ 1,258	\$ 1,425
Expenses		
Administrative	4,591	2,632
Amenities and facility operations and maintenance	923	3,157
Amortization of deferred financing and transaction fees	13,800	-
Insurance	3,276	2,736
Interest on advances from related party	12,987	5,639
Management contract services	26,712	10,676
Professional fees	11,003	5,488
Programs and events	2,481	3,269
Salaries and wages	1,501	-
Technology	9,000	-
Total Expenses	86,274	33,597
Deficiency of Revenue over Expenses	\$ (85,016)	\$ (32,172)

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

Seton Homeowners Association

Statement of Changes in Net Assets

For the Year Ended March 31, 2025

		2025		2024
	Invested in property and equipment	Unrestricted	Total	(Restated - Note 10)
Net Assets, Beginning of Year	\$ 7,712,500	\$ (96,851)	\$ 7,615,649	\$ 7,647,821
Deficiency of revenue over expenses	-	(85,016)	(85,016)	(32,172)
Invested in property and equipment	3,173,625	(3,173,625)	-	-
Net Assets, End of Year	\$ 10,886,125	\$ (3,355,492)	\$ 7,530,633	\$ 7,615,649

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

Seton Homeowners Association

Statement of Cash Flows

For the Year Ended March 31, 2025

	2025	2024
Cash Provided By (Used For) The Following Activities:		
Operating		
Deficiency of revenue over expenses	\$ (85,016)	\$ (32,172)
Non-cash item		
Interest expense	15,987	5,639
Amortization of deferred financing and transaction fees	13,800	-
Changes in working capital accounts		
Accounts receivable	(17,426)	450
Goods and Services Tax recoverable	(452,234)	(16)
Prepaid expenses	(520)	(372)
Accounts payable and accrued liabilities	53,194	(641)
Total Cash Flows Used For Operating Activities	(472,215)	(27,112)
Investing		
Changes in working capital accounts		
Accounts payable and accrued liabilities	3,055,745	-
Long-term deposits for property and equipment	(52,381)	-
Purchase of property and equipment	(9,592,365)	-
Total Cash Flows Used For Investing Activities	(6,589,001)	-
Financing		
Advances from related parties	1,957,485	22,999
Repayments to related parties	(1,206,402)	-
Advances from bank loan	6,510,354	-
Deferred financing and transaction fees	(41,533)	-
Total Cash Flow From Financing Activities	7,219,904	22,999
Net Increase (Decrease) in Cash and Cash Equivalents	158,688	(4,113)
Cash and cash equivalents, beginning of year	821	4,934
Cash and Cash Equivalents, End of Year	\$ 159,509	\$ 821

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

Seton Homeowners Association

Notes to the Financial Statements

For the Year Ended March 31, 2025

1. Incorporation and Nature of the Organization

Seton Homeowners Association (the "Association") was incorporated under the laws of the Province of Alberta as a not-for-profit organization on March 17, 2017 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 Seton. The operations of the Association are governed by the Seton Management Agreement (the "Management Agreement") dated March 9, 2017 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 Seton 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 purchased by the Association is recorded at cost. Interest incurred to finance the construction of property and equipment is capitalized. Property and equipment contributed to the Association are recorded at fair value on the date of contribution, unless fair value is not determinable, in which case, the contributed property and equipment is recorded at nominal value at the date of contribution. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the property and equipment are capitalized.

Seton Homeowners Association

Notes to the Financial Statements

For the Year Ended March 31, 2025

2. Significant Accounting Policies (Continued)

b. Property and Equipment (Continued)

Property and equipment is not amortized until placed into service. Amortization is based on estimated useful life calculated on a straight line basis as follows:

Buildings	40 years
Park amenities	25 years
Furniture and equipment	5 years

Land is not subject to amortization.

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.

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.

Deferred contributions restricted for the acquisition of property and equipment are recognized as revenue in amounts that match the amortization of the related property and equipment. Contributions of property and equipment not subject to amortization are recorded as direct increases to net assets.

Program and event fees are recognized as revenue when services are provided.

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.

Seton Homeowners Association

Notes to the Financial Statements

For the Year Ended March 31, 2025

2. Significant Accounting Policies (Continued)

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 assets and liabilities at 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 for those financial instruments.

g. Related Party Financial Instruments

The Association 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).

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 excess (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.

Seton Homeowners Association

Notes to the Financial Statements

For the Year Ended March 31, 2025

2. Significant Accounting Policies (Continued)

h. Financial Asset Impairment (Continued)

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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Amortization is based on management's best estimate of the useful lives of the related property and equipment.

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.

Seton Homeowners Association

Notes to the Financial Statements

For the Year Ended March 31, 2025

3. Property and Equipment

	2025		2024	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Building	\$ 6,948,034	\$ -	\$ 6,948,034	\$ -
Park amenities	2,773,440	-	2,773,440	-
Furniture and equipment	2,217	-	2,217	-
	9,723,691	-	9,723,691	-
Land	7,712,500	-	7,712,500	7,712,500
Total	\$ 17,436,191	\$ -	\$ 17,436,191	\$ 7,712,500

At March 31, 2025, property and equipment includes construction-in-progress amounts for a building and related park amenities of \$6,948,034 and \$2,773,440 (2024 - \$Nil and \$Nil), respectively. The Association incurred and capitalized loan interest of \$184,291 (2024 - \$Nil) directly attributable to the construction of property and equipment during the year ended March 31, 2025.

4. Bank loan

	2025	2024
Bank loan	\$ 6,510,354	\$ -
Deferred financing and transaction fees	(41,533)	-
Accumulated amortization	13,800	-
Total	\$ 6,482,621	\$ -

The Association has a credit facility agreement for the following:

Facility #1: Non-revolving demand loan facility for \$13,500,000

Facility #1 is to finance the construction of a recreational facility of approximately 14,000 square feet and associated amenities in Seton 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 \$13,500,000 and 75% of the Eligible Project Costs associated with the Project Lands including Land (at an imputed value of \$8,400,000) 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 and 6 months after substantial completion.

Seton Homeowners Association

Notes to the Financial Statements

For the Year Ended March 31, 2025

Facility #2: Non-revolving loan facility for \$13,500,000

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 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.

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.

Credit Card Facility \$10,000

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

Non-refundable fees of 25 bps are payable with the initial advance of Facility #1 and 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 \$13,500,000 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, 2025.

5. Accounts payable and accrued expenses

	2025	2024
Trade accounts payable	\$ 2,519,448	\$ 1,622
Other accrued liabilities	594,613	3,500
Total	\$ 3,114,061	\$ 5,122

Seton Homeowners Association

Notes to the Financial Statements

For the Year Ended March 31, 2025

6. Advances from Related Party

Brookfield Residential agreed to lend funds to the Association to cover shortfalls in its operating budget, subject to certain conditions defined in the Management Agreement. During the year, Brookfield Residential advanced \$1,596,289 (2024 - \$23,000) to the Association, the Association made repayments of \$1,206,402, and the Association incurred interest of \$24,487 (2024 - \$5,639) which has been accrued at year end. These advances are unsecured, repayable on demand as funds become available and bear interest at prime rate plus 0.50% (2024 - prime rate plus 0.50%). At March 31, 2025, the interest rate was 5.45% (March 31, 2024 - 7.20%). Subsequent to year end, the interest rate was revised to prime rate plus 0.20%. In July 2025, Brookfield Residential forgave all previously accrued interest on the advances and revised the terms of the advances to be non-interest bearing until construction of the Seton facilities and park amenities are completed.

Brookfield Residential also advanced \$361,196 (2024 - \$Nil) to the Association to finance property and equipment purchases. These advances are non-interest bearing, unsecured, and repayable on demand.

The above mentioned related party transactions are in the normal course of operations and have been recorded at the exchange amount, which is the amount agreed to by the related parties.

7. Deferred Capital Contributions

Externally restricted funding spent on property and equipment are recorded as deferred capital contributions. The amounts are recognized into revenue at the same rate the property and equipment are amortized.

	2025	2024
Deferred capital contributions, beginning of year	\$ -	\$ -
Contributions	119,826	-
Recognized into revenue	-	-
Deferred Capital Contributions, End of Year	\$ 119,826	\$ -

8. 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 financial liabilities. The Association is exposed to this risk in respect of its accounts payable and accrued liabilities and demand loan. This risk is mitigated by the Management Agreement, whereby Brookfield Residential has agreed to advance funds to the Association to cover operating shortfalls up to the Effective Date (defined in Note 1).

Seton Homeowners Association

Notes to the Financial Statements

For the Year Ended March 31, 2025

8. Financial Instruments (Continued)

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's main credit risks relate to its cash and accounts receivable.

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.

The Association is also exposed to credit risk related to its accounts receivable. As at March 31, 2025, accounts receivable was due from a vendor for overpayment related to property and equipment.

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 to the extent the advances from related party have floating interest rates. The Association seeks to minimize any adverse impacts from interest rate changes by monitoring its operating and financing activities.

9. Commitments

The Association has commitments to construct the Seton amenities and contracts for general operations. The future minimum payments remaining under these agreements for the following fiscal years are:

	Other
2026	\$856,000
2027	6,000
2028	6,000
2029	6,000
2030	2,500
Total	\$876,500

Seton Homeowners Association

Notes to the Financial Statements

For the Year Ended March 31, 2025

10. Restatement

The Association determined an error regarding the recording of contribution of land at fair market value during the year ended March 31, 2023. The effects of the Association's restatement on previously reported March 31, 2024 and 2023 financial statements are summarized below.

	2024			2023		
	As Previously Reported	Adjustments	Restated	As Previously Reported	Adjustments	Restated
Statement of Financial Position						
Assets						
Property and equipment	\$ -	\$ 7,712,500	\$ 7,712,500	\$ -	\$ 7,712,500	\$ 7,712,500
Total Assets	4,419	7,712,500	7,716,919	8,594	7,712,500	7,721,094
Net Assets(Deficiency)						
Invested in Property and Equipment	-	7,712,500	7,712,500	-	7,712,500	7,712,500
Unrestricted	(96,851)	-	(96,851)	(64,679)	-	(64,679)
Total Net Assets (Deficiency)	(96,851)	7,712,500	7,615,649	(64,679)	7,712,500	7,647,821
Total Liabilities and Net Assets (Deficiency)	\$ 4,419	\$ 7,712,500	\$ 7,716,919	\$ 8,594	\$ 7,712,500	\$ 7,721,094