

Seton Homeowners Association
Financial Statements
March 31, 2022

To the Members of Seton Homeowners Association:

Opinion

We have audited the financial statements of Seton Homeowners Association (the "Association"), which comprise the statement of financial position as at March 31, 2022, and the statements 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 the Association as at March 31, 2022, 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 the 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.

Calgary, Alberta

September 19, 2022

MNP LLP

Chartered Professional Accountants

MNP

Seton Homeowners Association

Statement of Financial Position

As at March 31, 2022

	2022	2021
Assets		
Current		
Cash	196	-
Prepaid expenses	1,760	-
Goods and Services Tax recoverable	1,356	-
	3,312	-
Liabilities		
Current		
Accounts payable and accrued liabilities	5,741	2,625
Advances from related party <i>(Note 3)</i>	31,450	-
	37,191	2,625
Net Assets (Deficiency)		
Unrestricted	(33,879)	(2,625)
	3,312	-

Approved on behalf of the Board of Directors

e-Signed by Kristine Aghajanova
2022-09-19 10:16:06:06 MDT
Director

e-Signed by Jennifer Walker
2022-09-22 17:18:35:35 MDT
Director

The accompanying notes are an integral part of these financial statements

Seton Homeowners Association
Statement of Operations and Changes in Net Assets

For the year ended March 31, 2022

	2022	2021
Revenue		
Programs and events	890	-
Expenses		
Administrative	16,340	-
Programs and events	6,948	-
Professional fees	6,359	2,625
Amenity maintenance	1,685	-
Interest on advances from related party	812	-
	32,144	2,625
Deficiency of revenue over expenses	(31,254)	(2,625)
Deficiency of net assets, beginning of year	(2,625)	-
Deficiency of net assets, end of year	(33,879)	(2,625)

The accompanying notes are an integral part of these financial statements

Seton Homeowners Association
Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(31,254)	(2,625)
Changes in working capital accounts		
GST recoverable	(1,356)	-
Prepaid expenses and deposits	(1,760)	-
Accounts payable and accrued liabilities	3,116	2,624
	(31,254)	(1)
Financing		
Advances from related party	31,450	-
Increase (decrease) in cash resources	196	(1)
Cash resources, beginning of year	-	1
Cash resources, end of year	196	-

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, 2022

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:

Cash and cash equivalents

Cash includes balances with financial institutions.

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.

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.

Financial instruments

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

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 arms' length financial instruments subsequently measured at cost or amortized cost are added to the carrying amount for those financial instruments.

2. Significant accounting policies *(continued from previous page)*

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 3).

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 revenues over expenses.

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.

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.

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.

As of the date of the financial statements, the measures taken to contain the spread of COVID-19 continue to impact the jurisdictions in which the Association operates. All of the Association's business activities continue to function with the implementation of enhanced public health related safeguards. Management continues to assess the impact of COVID-19 and governments' responses to it on the Association. Portions of the financial results incorporate estimates from management that are subject to increased uncertainty due to market disruptions caused by the COVID-19 pandemic. The amounts recorded in these financial statements are based on the latest reliable information available to management at the time the financial statements were prepared, where that information reflects conditions as at the date of the financial statements. However, there is inherent uncertainty about these assumptions and estimates which could result in outcomes that require adjustments to the carrying amounts of affected assets or liabilities in the future.

Seton Homeowners Association

Notes to the Financial Statements

For the year ended March 31, 2022

3. 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 \$31,450 (2021 - \$nil) to the Association and the Association incurred interest of \$812 (2021 - \$nil) 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 0.75% (2021 - prime rate plus 0.75%). At March 31, 2022, the prime rate was 2.70% (2021 - 2.45%).

4. 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.

Liquidity risk

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

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 high quality financial institution of Canada.

The Association's risk of having accounts receivable go uncollected is mitigated by its ability to place a lien on any homeowner's property, if necessary, for any unpaid membership dues.