S.R. Homeowners Association

Financial Statements

For the Year Ended December 31, 2025

S.R. Homeowners Association

Financial Statements

December 31, 2025

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Independent Auditors' Report

To the board of directors of S.R. Homeowners Association

Opinion
We have audited the financial statements of S.R. Homeowners 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 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 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.

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.

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.

Crowe MacKay LLP.

Edmonton, Canada
June 29, 2026

Chartered Professional Accountants

S.R. Homeowners Association

Statement of Operations

For the year ended December 31,	2025	2024
Revenues	**$ 187,965**	$ 175,781
Expenditures		
AGM Expenses	**1,824**	2,207
Audit fee	**4,000**	4,000
Event costs	**10,000**	8,615
Interest and bank charges	**5,433**	4,971
Management fees	**40,800**	39,000
Office	**10,046**	9,733
Repairs and maintenance	**28,211**	27,528
Utilities	**6,123**	5,532
	106,437	101,586
Excess of revenues over expenditures before other item	**81,528**	74,195
Other income		
Interest income	**3,391**	2,242
Excess of revenues over expenditures	**$ 84,919**	$ 76,437

S.R. Homeowners Association

Statement of Changes in Net Assets

For the year ended December 31,

	General	Reserve	Total 2025	Total 2024
Balance, beginning of year	$ 119,209	$ 34,129	**$ 153,338**	$ 76,901
Excess of revenues over expenditures	83,523	1,396	**84,919**	76,437
Reserve fund transfer	(44,054)	44,054	**-**	-
Balance, end of year	**$ 158,678**	**$ 79,579**	**$ 238,257**	$ 153,338

S.R. Homeowners Association

Statement of Financial Position

December 31,	**2025**	2024
Assets		
Current		
Cash (note 3)		
Unrestricted	**$ 223,122**	$ 160,280
Restricted	**79,579**	34,129
Accounts receivable (note 4)	**3,348**	1,369
GST receivable	**1,447**	1,990
Due from Melcor (note 5)	**-**	10,747
	$ 307,496	$ 208,515
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 6,825**	$ 5,537
Deferred membership fees	**62,414**	49,640
	69,239	55,177
Net Assets		
General	**158,678**	119,209
Reserve	**79,579**	34,129
	238,257	153,338
	$ 307,496	$ 208,515

Approved on behalf of the Board:

Graeme Melton
Member

Triona Cosgrave
Member

S.R. Homeowners Association

Statement of Cash Flows

For the year ended December 31,	2025	2024
Operating activities		
Cash receipts from customers	**$ 202,717**	$ 154,242
Cash paid to suppliers	**(106,437)**	(99,931)
Interest received	**3,391**	2,242
Goods and services tax	**(2,126)**	(1,719)
	97,545	54,834
Advance to related party		
Advances from (to) related party	**10,747**	(10,747)
Increase in cash	**108,292**	44,087
Cash, beginning of year	**194,409**	150,322
Cash, end of year	**$ 302,701**	$ 194,409
Cash consists of:		
Cash	**$ 223,122**	$ 160,280
Restricted	**79,579**	34,129
	$ 302,701	$ 194,409

1. Nature of operations

S.R. Homeowners Association (the "Association") is a not-for-profit organization incorporated provincially under the Companies Act of Alberta. Management has determined that they are exempt from the payment of income tax under Section 149(1) of the Income Tax Act

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits.

(b) Revenue recognition

The Association follows the deferral method of accounting for contributions. Membership fees are recognized as revenue in the year they relate to. The amounts to be received can be reasonably estimated and collection is reasonably assured.

Reserve investment income is recognized as revenue in the year in which it is earned.

(c) Measurement uncertainty

The preparation of financial statements in conformity with the selected standard (changes in statements) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

No items subject to significant management estimate. Other management estimate includes accrued liabilities and deferred membership fees.

2. Significant accounting policies (continued)

(d) Financial instruments

Initial measurement
Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value are expensed.

Financial assets or liabilities originated or exchanged in related party transactions except for those that involve parties whose sole relationship with the Association is in the capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If the instrument does, the cost is determined using the instruments undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise cost is determined using the consideration transferred or received by the Association in the transaction.

Transactions, with parties whose sole relationship with the Association is in the capacity of management, are accounted for as arm’s length transactions.

Subsequent measurement
The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in debt instruments, equity instruments and forward exchange contracts that are quoted in an active market, which are measured at fair value without any adjustment for transaction costs. Changes in fair value are recognized in net income in the period in which they occur.

Financial assets measured at amortized cost include cash, accounts receivable and GST receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Transaction costs
Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs for financial instruments originated or exchanged in an arm’s length transaction that are subsequently measured at amortized cost are recognized in the original cost of the instrument and recognized in income over the life of the instrument using the straight-line method.

2. Significant accounting policies (continued)

Impairment

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in operations. Previously recognized impairment losses may be reversed to the extent of any improvement. The amount of the reversal, to a maximum of the related accumulated impairment charges recorded in respect of the particular asset, is recognized in operations.

(e) Cloud computing arrangement

The Association applies the simplification method to expenditures in a cloud computing arrangement that fall within the scope of AcG-20, Customer’s Accounting for Cloud Computing Arrangements. Under this method, expenditures are treated as a supply of services and recognized as an expense when the Association receives the service. Expenditures related to implementation activities are expensed as incurred.

3. Cash

Restricted cash consists of amounts transferred from the operating account to the reserve account annually plus any interest income earned on the accumulated balance. This amount is approved annually by the board and is held to fund any future major expenses or repairs as determined necessary by the Board of Directors. In 2025, there was $44,054 (2024 - $22,890) transferred to the reserve account and $1,396 (2024 - $710) in interest earned.

	2025	2024
Bank - Reserve	**$ 79,579**	$ 34,129

4. Accounts receivable

Amounts receivable consist of Homeowners Association fees receivable from residents in the community.

	2025	2024
HOA fees	**$ 3,348**	$ 1,369

5. Due from related party

The Management Agreement grants Melcor & S.R. Communities Inc. (S.R) control of the management of the Association and management of the community amenities until the Effective Date.

The Effective Date is defined as the later of:
a) The date upon which S,R. has sold its last lands within the S.R. Communities, or
b) The date upon which all amounts owing to S.R. have been repaid
S.R. may, at an earlier date and 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 Melcor and S.R. and will no longer receive their financial support These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The following is a summary of the Association's related party transactions:

	2025	2024
Advances to Melcor	**$ -**	$ 10,747

6. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The Association's exposure to liquidity risk relates to accounts payable and accrued liabilities, operating loan, and long-term debt and arises from the possibility that the timing and amount of its cash inflows will not be sufficient to enable it to meet its financial obligations as they become due. The Association reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due.

There have not been any changes to the Associations exposure to liquity risk from the prior year.

6. Financial instruments (continued)

(b) Credit risk

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 exposure to credit risk relates to accounts receivable and GST receivable and arises from the possibility that a debtor does not fulfil its obligations. The Association is exposed to credit risk in the event of non-performance by counterparties in connection with accounts receivable. The Association does not obtain collateral or other security to support the accounts receivable subject to credit risk, but performs credit checks on significant customers.

There have not been any changes to the Associations exposure to credit risk from the prior year.