Midnapore Lake Residents Association Ltd.

Financial Statements

December 31, 2025

Independent Auditor's Report

To: The Members of **Midnapore Lake Residents Association Ltd.**

Opinion

We have audited the financial statements of Midnapore Lake Residents Association Ltd. (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 its results of 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.

Other Matter

The financial statements of the Association for the year ended December 31, 2024, were audited by another auditor who expressed an unmodified opinion on those statements on June 10, 2025.

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 judgement 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.

Kenway Mack Slusarchuk Stewart LLP

May 28, 2026
Calgary, Alberta

Chartered Professional Accountants

Midnapore Lake Residents Association Ltd.
Statement of Financial Position

As at December 31,	2025	2024
Assets		
Current assets		
Cash	$ 642,163	$ 575,028
Accounts receivable - members	25,030	11,414
Accrued interest (note 4)	90,768	55,333
Prepaid expenses	22,929	21,833
Goods and services tax receivable	4,435	6,455
	785,325	670,063
Marketable investments (note 4)	1,054,322	1,027,274
Capital assets (note 5)	1,417,252	1,370,335
Non-current accounts receivable - members	6,503	21,817
	$ 3,263,402	$ 3,089,489
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 17,270	$ 21,575
Deferred revenue (note 6)	511,717	472,929
	528,987	494,504
Deferred contributions related to capital assets (note 7)	24,418	30,522
	553,405	525,026
Net assets		
Unrestricted	595,883	635,789
Invested in capital assets	1,392,834	1,339,813
Internally restricted replacement reserve (note 8)	721,280	588,861
	2,709,997	2,564,463
	$ 3,263,402	$ 3,089,489

Approved on behalf of the Board

Director Mike Gavan Director

See accompanying notes to financial statements

Midnapore Lake Residents Association Ltd.

Statement of Operations

Year ended December 31,	2025	2024
Revenues		
Lake maintenance fees	$ 752,987	$ 629,568
Other revenue	19,096	15,497
Interest on late payments of lake maintenance fees	12,102	11,799
Amortization of deferred capital contributions (note 7)	6,104	7,730
	790,289	664,594
Expenses		
Wages and benefits	385,397	372,120
Amortization	95,666	80,910
Telephone and utilities	49,937	62,386
Repairs and maintenance	47,383	31,658
Insurance	21,367	21,274
Office supplies	20,460	20,188
Professional fees	20,370	19,930
Special events	13,536	13,479
Fish stocking	13,221	12,181
Information technology	6,237	5,951
Bank charges and interest	4,058	3,650
	677,632	643,727
Excess of revenues over expenses before other items	112,657	20,867
Other items		
Interest and investment income	63,914	69,815
Gain on disposal of capital assets	6,184	-
Well exploration expense	(37,221)	(53,981)
Excess of revenues over expenses	$ 145,534	$ 36,701

Midnapore Lake Residents Association Ltd.

Statement of Changes in Net Assets

Year ended December 31,

	Unrestricted	Invested in capital assets	Internally restricted replacement reserve	2025 Total	2024 Total
Balance, beginning of year	$ 635,789	$ 1,339,813	$ 588,861	$ 2,564,463	$ 2,527,762
Excess (deficiency) of revenues over expenses	235,094	(89,560)	-	145,534	36,701
Investment in capital assets (note 8)	-	142,581	(142,581)	-	-
Interfund transfers (note 8)	(275,000)	-	275,000	-	-
Balance, end of year	$ 595,883	$ 1,392,834	$ 721,280	$ 2,709,997	$ 2,564,463

Midnapore Lake Residents Association Ltd.

Statement of Cash Flows

Year ended December 31,	2025	2024
Operating activities		
Excess of revenues over expenses	$ 145,534	$ 36,701
Items not affecting cash		
Amortization of capital assets	95,666	80,910
Amortization of deferred capital contributions	(6,104)	(7,730)
Gain on disposal of capital assets	(6,184)	-
Investment income reinvested	(51,489)	(33,671)
	177,423	76,210
Changes in non-cash working capital items		
Accounts receivable - members	1,698	(2,071)
Prepaid expenses	(1,096)	(1,097)
Goods and services tax receivable	2,020	(4,604)
Accounts payable and accrued liabilities	(4,305)	4,850
Deferred revenue	38,788	125,423
	214,528	198,711
Investing activities		
Purchase of marketable investments	(499,621)	(220,963)
Proceeds from sale of marketable investments	488,625	118,408
Purchase of capital assets	(142,581)	(63,625)
Proceeds on disposal of capital assets	6,184	-
	(147,393)	(166,180)
Increase in cash	67,135	32,531
Cash, beginning of year	575,028	542,497
Cash, end of year	$ 642,163	$ 575,028

See accompanying notes to financial statements

1. Nature of operations

Midnapore Lake Residents Association Ltd. (the "Association") was incorporated under The Companies Act of the Province of Alberta on December 22, 1976. The Association is a not-for-profit community organization which operates amenities exclusively for the use of its community members. The Association is exempt from income tax under section 149(1)(l) of the Income Tax Act.

2. Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, specifically Canadian accounting standards for not-for-profit organizations ("ASNFPO").

3. Significant accounting policies

(a) Cash equivalents

The Association considers all investments with maturities of three months or less and demand bank loans that are utilized periodically for day-to-day operations to be cash equivalents.

(b) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives. A full year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

The annual amortization rates are as follows:

Buildings	4%
Equipment	20%
Facilities	4%
Tennis courts and pavement	8%
Playground, recreational equipment, and beach sand	10%
Boats and dock	15%

The Association records a write-down when a capital asset no longer contributes to the Association's ability to provide goods and services, or that the value of future economic benefits or service potential associated with it is less than net carrying amount. The excess of the asset's net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations. Previous write-downs are not reversed.

3. Significant accounting policies, continued

(c) Marketable investments

Marketable investments consist of term deposits and fixed income funds, which are all traded in public markets. Marketable investments are recorded at fair value with changes to fair value recorded on the statement of operations.

(d) Non-current accounts receivable – members

Non-current accounts receivable - members includes amounts due from members that have been outstanding in excess of one year. The outstanding lake fees are secured by an encumbrance on the relevant member's property and interest is accrued at a rate of 18% annually.

(e) Revenue recognition and deferred revenue

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. When contributions received for the purchase of capital items are expended on capital assets, the contribution is deferred and amortized at the same rate as the asset purchased.

Revenue is recognized on lake maintenance fees on a calendar basis. Any lake maintenance fees received that relate to the next fiscal year are recorded as deferred revenue.

Late payment interest, event revenue, and investment income are recognized as revenue when earned.

(f) Contributed materials and services

The Association records the value of contributed materials and services 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. Due to the difficulty of determining their fair value, volunteer services are not recognized in the financial statements.

(g) Measurement uncertainty

The preparation of financial statements in conformity with ASNFPO 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. Amortization is based on the estimated useful lives of capital assets. Actual results could differ from those estimates.

3. Significant accounting policies, continued

(h) Measurement of financial instruments

Financial assets and financial liabilities are initially measured at fair value and subsequently at amortized cost, except for investments in equity instruments that are quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the statement of operations.

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

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

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

4. Marketable investments

		2025		2024
	Cost	**Market value**	**Cost**	**Market value**
Fixed income				
	$ 1,054,322	$ 1,145,090	$ 1,027,274	$ 1,079,692

The difference between market value and cost is comprised of year-end accrued interest of $90,768 (2024 - $55,333) reported on the balance sheet, less an unrealized loss of $nil (2024 - $2,915).

5. Capital assets

	Cost	Accumulated Amortization	2025 Net Book Value	2024 Net Book Value
Buildings	$ 1,637,643	$ 615,830	$ 1,021,813	$ 1,017,779
Equipment	320,450	206,942	113,508	59,188
Facilities	216,661	121,922	94,739	98,686
Tennis courts and pavement	180,582	122,188	58,394	63,471
Playground, recreational equipment, and beach sand	233,300	125,597	107,703	119,670
Boats and dock	119,880	98,785	21,095	11,541
	$ 2,708,516	$ 1,291,264	$ 1,417,252	$ 1,370,335

6. Deferred revenue

Deferred revenue is primarily comprised of maintenance fees received in advance from members relating to future years. Included in this balance is GST payable of $24,199 (2024 - $22,283).

7. Deferred capital contributions

Deferred capital contributions represent contributed capital assets and restricted contributions with which capital assets were acquired. Amortization is determined by the rates and methods of the capital assets. The changes in the deferred capital contributions for the year are as follows:

	2025	2024
Balance, beginning of year	$ 30,522	$ 38,252
Amortization of deferred capital contributions	(6,104)	(7,730)
Balance, end of year	$ 24,418	$ 30,522

8. Internally restricted replacement reserve

The purpose of the reserve is for the replacement of, and major repairs to, the facilities and equipment acquired by the Association on January 1, 1983. According to a resolution made annually by the Board of Directors, allocations to the reserve are made from current operations. Based on long-term estimates of future replacement costs, the Board allocated $275,000 (2024 - $200,000) to the reserve during the year.

During the year, the Association charged a net of $142,581 (2024 - $63,625) of capital expenditures net of disposals to the capital reserve.

9. Financial instruments

The Association’s use of financial instruments and its exposure to risks associated with such instruments arise out of its normal course of operating and investing activities. Operations are located in Calgary.

Credit concentration risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is not exposed to any significant credit risk from accounts receivable by virtue of the Association by-laws in place to ensure collections.

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of accounts receivable due from members. The maximum credit risk exposure is $31,533 (2024 - $33,232). However, the Association believes that there is minimal risk associated with the collection of these amounts due to the Association's large member base and because each property is secured by an encumbrance.

The Association is exposed to credit risk on cash and investment deposits. The Association minimizes this risk by holding its deposits with creditworthy financial institutions in accordance with the Association’s investment policies.

Market interest risk

The Association is exposed to interest rate risk as changes in market interest rates will result in fluctuations in the fair value of certain investments with fixed interest rates.

Financial assets

The carrying amount of financial assets recognized in the financial statements consists of:

	2025	2024
Measured at amortized cost	$ 673,696	$ 608,259
Measured at fair value	1,145,090	1,082,607
	$ 1,818,786	$ 1,690,866