KINGS HEIGHTS HOMEOWNERS ASSOCIATION

Financial Statements

Year Ended December 31, 2025

KINGS HEIGHTS HOMEOWNERS ASSOCIATION
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Year Ended December 31, 2025

C & E LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Derek M. Cremers Professional Corporation
J. Scott Chomistek Professional Corporation
Hans Peter Cremers Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Owners of Kings Heights Homeowners Association

Opinion

We have audited the financial statements of Kings Heights Homeowners Association (the Homeowners Association), which comprise the statement of financial position as at December 31, 2025, and the statements of revenues and expenditures 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 Homeowners Association as at December 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO)

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 Homeowners Association in accordance with 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

We were engaged to conduct an audit, in accordance with Canadian generally accepted auditing standards, on the financial statements prepared by the Association’s management in accordance with Canadian accounting standards for not-for-profit organizations. We were not engaged to, nor do we, provide any assurance as to whether the Association is in compliance with all aspects of The Societies Act and we were not engaged to, nor do we, provide any assurance as to the adequacy of the reserve fund to cover future major expenditures and replacements.

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 ASNPO, 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 Homeowners 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 Homeowners Association or to cease operations, or has no realistic alternative but to do so.

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

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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 Homeowners 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 Homeowners 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 Homeowners 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
April 25, 2026

C&E LLP Chartered Professional Accountants

KINGS HEIGHTS HOMEOWNERS ASSOCIATION
Statement of Financial Position
December 31, 2025

	Operating Fund 2025	Capital Replacement Reserve Fund 2025	**Total 2025**	Total 2024
ASSETS				
CURRENT				
Cash	$ 154,729	$ 26,066	**$ 180,795**	$ 96,415
Short term investments *(Note 3)*	-	191,396	**191,396**	182,809
Accounts receivable	71,701	-	**71,701**	82,929
Goods and services tax recoverable	6,313	-	**6,313**	6,462
TOTAL ASSETS	$ 232,743	$ 217,462	**$ 450,205**	$ 368,615
LIABILITIES				
CURRENT				
Accounts payable	$ 3,265	$ -	**$ 3,265**	$ 3,131
Prepaid association fees	2,313	-	**2,313**	466
TOTAL LIABILITIES	5,578	-	**5,578**	3,597
NET ASSETS *(Notes 2, 4)*	227,165	217,462	**444,627**	365,018
TOTAL LIABILITIES AND NET ASSETS	$ 232,743	$ 217,462	**$ 450,205**	$ 368,615

ON BEHALF OF THE BOARD

DocuSigned by:
Cameron _______________ *Director*

Signed by:
Robert Hemminger _______________ *Director*

KINGS HEIGHTS HOMEOWNERS ASSOCIATION

Statement of Revenues and Expenditures and Changes in Net Assets

Year Ended December 31, 2025

	Operating Budget 2025	Operating Fund 2025	Capital Replacement Reserve Fund 2025	Total 2025	Total 2024
REVENUE					
Association fees	$ 163,000	$ 163,613	$ -	$ 163,613	$ 163,619
Interest and other income	7,500	373	8,918	9,291	25,155
Reserve contributions	(25,000)	(25,000)	25,000	-	-
	145,500	138,986	33,918	172,904	188,774
EXPENSES *(Schedule 1)*	145,500	93,295	-	93,295	201,570
NET EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	-	45,691	33,918	79,609	(12,796)
NET ASSETS - BEGINNING OF YEAR	-	181,474	183,544	365,018	377,814
NET ASSETS - END OF YEAR	$ -	$ 227,165	$ 217,462	$ 444,627	$ 365,018

KINGS HEIGHTS HOMEOWNERS ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2025

	2025	2024
FUND ACTIVITIES		
Excess (deficiency) of revenue over expenses	**$ 79,609**	$ (12,796)
Changes in non-cash working capital:		
Accounts receivable	**11,228**	(40,851)
Accounts payable	**135**	(17,499)
Prepaid expenses	**-**	5,779
Goods and services tax payable	**149**	(3,237)
Prepaid association fees	**1,847**	253
	13,359	(55,555)
Cash flow from fund activities	**92,968**	(68,351)
INVESTING ACTIVITY		
Short term investment activity	**(8,588)**	21,905
Cash flow from (used by) investing activity	**(8,588)**	21,905
INCREASE (DECREASE) IN CASH FLOW	**84,380**	(46,446)
Cash - beginning of year	**96,415**	142,861
CASH - END OF YEAR	**$ 180,795**	$ 96,415

1. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association is a not-for-profit Homeowners Association established to support and maintain certain community amenities, landscaped areas, and services for the benefit of the Kings Heights community. These financial statements include the assets, liabilities, revenues, and expenses of the Association only.

The Association is exempt from income taxes and, accordingly, no provision for income taxes has been made in these financial statements.

Measurement uncertainty

When preparing financial statements according to Canadian accounting standards for not-for-profit organizations, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the Homeowners Association may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts and useful lives of capital assets.

Cash and Cash Equivalents on the Statement of Cash Flows

Cash and cash equivalents include bank balances and cash held. Short term money market funds are not included as these are considered to be investments.

Fund Accounting

The Association follows the restricted fund method of accounting.

The Operating Fund accounts for the Association’s operating and administrative activities.

The capital replacement reserve fund reports the fee assessments from unit owners that are to be set aside and used for future costs or major repairs or replacements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition

Association fee revenue is recognized as billed in accordance with the Association's approved fee structure.

Reserve Fund revenue consists of amounts allocated by the Board of Directors from operations or other sources and is recognized when transferred to the Reserve Fund.

Contributed Services and Materials

Volunteer services and materials contributed on behalf of the Homeowners Association in carrying out its operating activities are not recognized in these financial statements due to the difficulty of determining their fair value.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued, with the exception of any related party transactions that are measured at the carrying amount or exchange amount, as appropriate. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income of the appropriate fund. All other financial instruments are reported as amortized cost, and tested for impairment at each reporting date. Transaction costs are recognized as an expense in the period incurred for all financial instruments subsequently measured at fair value. Financial instruments that are subsequently measured at amortized cost are adjusted by the transaction costs and financing fees that are directly attributed to their organization, issuance or assumption.

All financial assets and financial liabilities are measured at amortized cost, unless noted.

Capital Replacement Reserve Fund

The Capital Replacement Reserve Fund represents amounts designated by the Board of Directors to assist with future major repairs, replacements, and capital requirements of the Association. It is not intended to describe or imply a statutory condominium reserve framework. The amount allocated to the Reserve Fund is determined by the Board of Directors based on the Association's anticipated future needs and available financial resources.

Budget

The budget figures that appear on the statement of operating income are those approved by the Board of Directors and are presented for comparison purposes only. They have not been audited or reviewed but they have been reclassified to conform to the presentation in these financial statements.

Capital assets

The Homeowners Association does not record common property assets as capital assets in the financial statements. Although the Homeowners Association is responsible for the maintenance and replacement of common elements, the Association does not have control of the future economic benefits of these assets, which are held collectively by the unit owners. The cost of replacing major components of the common elements is funded through the Reserve Fund in accordance with the recommendations of the reserve fund study and applicable condominium legislation. Accordingly, common property assets are not depreciated, and expenditures for replacements are recognized as expenses of the Reserve Fund when incurred.

3. INVESTMENTS HELD FOR THE CAPITAL REPLACEMENT RESERVE FUND ASSETS, AT FAIR VALUE

	2025
Short term investments	
Cash	$ 51,834
GIC @ 3.00% maturing April 27, 2026	139,562
	$ 191,396

4. ADEQUACY OF THE CAPITAL REPLACEMENT RESERVE FUND

These financial statements do not purport to show the adequacy of the capital replacement reserve fund. In determining the allocation to the Capital Replacement Reserve Fund and the adequacy of the fund balance the Board of Directors exercises judgment, principally, in the following areas:

-Obtaining an inventory of common property components that will require replacement;

-Determining the state of these components and their expected remaining useful life;

-Estimating the replacement cost at the expected time of replacement; and

-Forecasting the expected rate of return on the funds investments.

An independent reserve fund study was conducted in 2023. In the opinion of the professional reserve fund planners who completed the study, the Capital Replacement Reserve Fund should have a balance as summarized below.

	Balance Beginning of Year	Transfers from Operations	Interest Earned	Expenses from Reserve Fund	Balance End of Year
2025 Projected	$ 171,258	$ 27,900	$ 3,425	$ (11,000)	$ 191,583
2025 Actual	$ 183,544	$ 25,000	$ 8,918	$ -	$ 217,462
2025 Over(under)	$ 12,286	$ (2,900)	$ 5,493	$ 11,000	$ 25,879
2026 Projected	$ 191,583	$ 30,100	$ 3,832	$ -	$ 225,515
2027 Projected	$ 225,515	$ 32,500	$ 4,510	$ (44,308)	$ 218,217
2028 Projected	$ 218,217	$ 35,100	$ 6,547	$ (36,386)	$ 223,478
2029 Projected	$ 223,478	$ 37,900	$ 6,704	$ (17,600)	$ 250,482

The full study is available to the reader and should be examined to fully comprehend the purpose, the assumptions and the conclusions of the study.

5. FINANCIAL INSTRUMENTS

The Homeowners Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Homeowners Association's risk exposure and concentration as of December 31, 2025.

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5. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Homeowners Association is exposed to this risk mainly in respect of its accounts payable. The Homeowners Association manages liquidity risk by preparing an annual budget in consideration of the results of its reserve fund study, and may increase association fees and assess special levies to ensure it has sufficient funds.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: currency rate risk, interest rate risk. The Homeowners Association is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Homeowners Association manages exposure through its normal operating and financing activities. The Homeowners Association is exposed to interest rate risk primarily through its reserve fund investments.

Risk Management

The Homeowners Association manages its credit, liquidity and cash flow risk by restricting investments to a diverse range of government and corporate fixed income securities, and corporate shares. As it is the Homeowners Association's expectation to hold it's investments to maturity, it's cash flows are exposed to minimal interest rate and liquidity risk. The Homeowners Association has the power to place caveats on titles which significantly mitigates credit risk.

6. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. The changes do not affect prior year excess (deficiency) of revenues over expenditures.

KINGS HEIGHTS HOMEOWNERS ASSOCIATION

Expenses ***(Schedule 1)***

Year Ended December 31, 2025

	Operating Budget 2025	Operating Fund 2025	Capital Replacement Reserve Fund 2025	Total 2025	Total 2024
OPERATING EXPENSES					
Management fees	$ 26,400	$ 26,950	$ -	$ 26,950	$ 25,806
Landscaping contract	36,100	22,805	-	22,805	21,210
Member programs	17,500	16,092	-	16,092	10,755
Utilities	10,000	9,557	-	9,557	8,032
Insurance	6,000	6,659	-	6,659	4,829
Legal and audit fees	15,000	5,386	-	5,386	53,680
Office and bank	6,500	4,652	-	4,652	5,275
General repairs and maintenance	28,000	1,194	-	1,194	42,477
	145,500	93,295	-	93,295	172,064
CAPITAL REPLACEMENT RESERVE EXPENSES					
Electrical	-	-	-	-	27,800
Fence repairs	-	-	-	-	1,706
	-	-	-	-	29,506
	$ 145,500	$ 93,295	$ -	$ 93,295	$ 201,570