

**TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED**

**Financial Statements**

**Year Ended December 31, 2024**

**TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED**

**Index to Financial Statements**

**Year Ended December 31, 2024**

---

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Revenues and Expenditures	3
Statement of Changes in Net Assets	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11



---

## INDEPENDENT AUDITOR'S REPORT

---

To the Directors of Tomahawk Rural Electrification Association Limited

### *Qualified Opinion*

We have audited the financial statements of Tomahawk Rural Electrification Association Limited (the organization), which comprise the statement of financial position as at December 31, 2024, and the statements of revenues and expenditures, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2024, and the results of its operations and cash flows for the year then ended in a manner that is consistent with Section III of the CPA Canada Handbook - Canadian accounting standards for not-for-profit organizations (ASNPO).

### *Basis for Qualified Opinion*

Prior to 2015, the Association has not recorded the historical cost or related amortization of any property, plant and equipment relating to its electrification distribution assets. We were unable to satisfy ourselves as to correct historical costs, related accumulated amortization or current amortization expense for such assets. Accordingly, we were unable to determine whether any adjustments might be necessary to the statement of operations, statement of financial position, statement of changes in net assets or cash flow statement balances. Our opinion on the financial statements for the year ended December 31, 2024 was modified because of the effects of this departure from Canadian accounting standards for not-for-profit organizations.

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 organization 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 qualified audit opinion.

### *Emphasis of Matter - Material Uncertainty Relating to Going Concern*

We draw your attention to Note 6 in the financial statements, which indicates that the organization has sold all of its revenue generating assets. As stated in , this events, along with other matters as set forth in , indicate that the organization intends to cease all operations. Our opinion is modified in respect of this matter as the organization no longer uses a going concern basis of accounting..

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and presentation of the financial statements in a manner that is consistent 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.

(continues)

Independent Auditor's Report to the Directors of Tomahawk Rural Electrification Association Limited  
(continued)

In preparing the financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 organization'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 organization'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 organization 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.

Drayton Valley, Alberta  
September 2, 2025

*Verity LLP*

Verity LLP  
Chartered Professional Accountants

# TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

## Statement of Revenues and Expenditures

Year Ended December 31, 2024

	2024	2023
<b>REVENUES</b>		
Distribution and tariff revenue	\$ 825,481	\$ 1,274,115
<b>COST OF GOODS SOLD</b>		
Transmission	275,867	473,292
Distribution service operations	107,043	174,160
	<u>382,910</u>	<u>647,452</u>
<b>GROSS PROFIT</b>	<u>442,571</u>	<u>626,663</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Operational maintenance, line moves, salvage and brushing	69,912	270,960
Wages and wage costs	38,974	44,657
Audit fees	18,750	15,500
Office	6,148	3,786
Insurance	4,997	5,718
Meter reading expense	4,886	8,360
Advertising and promotion	2,760	2,479
Legal fees	2,576	7,981
Directors fees and honoraria	2,480	4,925
Annual general meeting	1,823	5,499
Interest and penalties	1,494	357
Travel, meetings and convention	1,205	3,578
Rent	450	5,400
Sales proposal costs	-	12,878
Memberships and dues	-	31,970
	<u>156,455</u>	<u>424,048</u>
<b>EXCESS OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES FROM OPERATIONS</b>	<u>286,116</u>	<u>202,615</u>
<b>OTHER INCOME</b>		
Gain on disposal of distribution system and capital contributions	6,909,436	-
Amortization of capital contributions	2,736,551	122,603
Interest - reserve account	24,972	54,521
Interest - general	79,322	13,749
System shares	-	200
Memberships	-	2
	<u>9,750,281</u>	<u>191,075</u>
<b>EXCESS OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>\$ 10,036,397</u>	<u>\$ 393,690</u>

See notes to financial statements

**TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED**

**Statement of Changes in Net Assets**

**Year Ended December 31, 2024**

	Deposit Reserve	Investment in Plant and Equipment	Unrestricted	<b>2024</b>	2023
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 1,544,289	\$ 1,556,301	\$ 73,520	<b>\$ 3,174,110</b>	\$ 2,780,420
Excess of revenue over expenses	10,036,397	-	-	<b>10,036,397</b>	393,690
Sale of distribution assets	4,156,575	(4,187,383)	-	<b>(30,808)</b>	-
Distribution of sale proceeds to members	(11,150,000)	-	-	<b>(11,150,000)</b>	-
Repayment of promissory notes receivable	120,873	(120,873)	-	-	-
Amortization of contributed capital	(2,736,551)	2,751,955	-	<b>15,404</b>	-
	-	-	-	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,971,583</b>	<b>\$ -</b>	<b>\$ 73,520</b>	<b>\$ 2,045,103</b>	<b>\$ 3,174,110</b>

See notes to financial statements

# TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

## Statement of Financial Position

December 31, 2024

	2024	2023
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 7)	\$ 2,087,910	\$ 1,418,603
Accounts receivable	-	166,363
Current portion of notes receivable (Note 8)	-	6,281
Goods and services tax recoverable	-	20,420
Prepaid expenses	<u>2,056</u>	<u>7,907</u>
	<b>2,089,966</b>	1,619,574
Distribution assets held for sale (Notes 6, 9)	-	4,220,728
LONG-TERM PORTION OF NOTES RECEIVABLE (Note 8)	<u>-</u>	<u>114,592</u>
	<b>\$ 2,089,966</b>	<b>\$ 5,954,894</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 18,438	\$ 43,580
Goods and services tax payable	<b>25,998</b>	-
Employee deductions payable	<u>427</u>	<u>653</u>
	<b>44,863</b>	44,233
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>2,736,551</u>
	<b>44,863</b>	2,780,784
<b>NET ASSETS</b>		
Deposit reserve	<b>1,971,583</b>	1,544,289
Investment in distribution system and capital contributions	-	1,556,301
Unrestricted	<u>73,520</u>	<u>73,520</u>
	<b>2,045,103</b>	3,174,110
	<b>\$ 2,089,966</b>	<b>\$ 5,954,894</b>

### ON BEHALF OF THE BOARD

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

See notes to financial statements

**TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED**

**Statement of Cash Flows**

**Year Ended December 31, 2024**

	2024	2023
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over general and administrative expenses	\$ 10,036,397	\$ 393,690
Items not affecting cash:		
Amortization of capital contributions	(2,736,551)	(122,603)
Gain on disposal of distribution system and capital contributions	(6,909,436)	-
	<u>390,410</u>	<u>271,087</u>
Changes in non-cash working capital:		
Accounts receivable	166,363	(33,364)
Accounts payable	(60,383)	(220,239)
	-	-
Prepaid expenses	5,851	(5,128)
Goods and services tax payable	46,418	8,654
Employee deductions payable	(226)	653
	<u>158,023</u>	<u>(249,424)</u>
Cash flow from operating activities	<u>548,433</u>	<u>21,663</u>
<b>INVESTING ACTIVITIES</b>		
Additions to distribution assets and capital contributions	-	(99,924)
Proceeds on disposal of distribution system and capital contributions	11,115,000	-
Cash flow from (used by) investing activities	<u>11,115,000</u>	<u>(99,924)</u>
<b>FINANCING ACTIVITIES</b>		
Disbursement of Proceeds on disposal of distribution system and capital contributions	(11,115,000)	-
Payments received on promissory notes receivable	120,873	6,114
Cash flow from (used by) financing activities	<u>(10,994,127)</u>	<u>6,114</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>669,306</b>	<b>(72,147)</b>
Cash - beginning of year	<u>1,418,604</u>	<u>1,490,751</u>
<b>CASH - END OF YEAR (Note 7)</b>	<u><b>\$ 2,087,910</b></u>	<u><b>\$ 1,418,604</b></u>

See notes to financial statements



# **TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED**

## **Notes to Financial Statements**

**Year Ended December 31, 2024**

---

### **1. CONTINGENCIES**

The organization is involved in a legal proceeding arising in the normal course of business. While the outcome of such litigation is inherently uncertain, management has reviewed the status of the case with legal counsel and, based on the information currently available, does not believe the outcome will have a material adverse effect on the organizations's financial position or results of operations.

As of the reporting date, no provision has been recorded in the financial statements as the likelihood of a loss is not determinable or is not considered probable. Management will continue to monitor the litigation and will record a provision if and when it becomes probable that a loss has been incurred and the amount can be reasonably estimated.

---

### **2. BASIS OF PRESENTATION**

The financial statements were prepared in a manner that is consistent with Section III of the CPA Canada Handbook - Canadian accounting standards for not-for-profit organizations (ASNFPO).

---

### **3. PURPOSE OF THE ORGANIZATION**

Tomahawk Rural Electrification Association Limited (the "organization") is a not-for-profit organization of Alberta.

The organization is a local rural electrification association and is governed by the Rural Utilities Act and Regulations of Alberta.

---

### **4. GOING CONCERN**

As of the date of these financial statements, the organization's management has assessed its ability to continue as a going concern. As indicated in Note 5, due to the sale of all revenue generating assets, management has determined that there is no longer an expectation that the organization will continue as a going concern. As a result, the financial statements have been prepared under prepared in a manner that is consistent with Section III of the CPA Canada Handbook - Canadian accounting standards for not-for-profit organizations (ASNFPO) but do not reflect the assumption of ongoing operations.

---

### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Revenue recognition

Tomahawk Rural Electrification Association Limited 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.

#### Deposit Reserve Fund

The deposit reserve fund is maintained for ongoing maintenance and system replacement costs.

#### Going concern assumption

These financial statements have not been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the organization be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

*(continues)*

---

# **TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED**

## **Notes to Financial Statements**

**Year Ended December 31, 2024**

---

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

On August 8, 2024, the organization closed the transaction for the sale of its distribution assets. As the organization derives the entirety of its revenue from these assets, the organization intends to apply for dissolution with the overseeing regulatory body upon settlement of its outstanding liabilities.

Disposal of long-lived assets

Long-lived assets to be disposed of by sale are measured at the lower of their carrying amounts and fair value less costs to sell and are not amortized as long as they are classified as assets to be disposed of by sale.

Long-lived assets classified as held for sale are not reclassified as current assets, unless the enterprise has sold the assets prior to the date of completion of the financial statements and the proceeds of the sale will be realized within a year of the date of the balance sheet, or within the normal operating cycle if that is longer than a year.

Discontinued operations

The results of discontinued operations, less applicable income taxes, are reported as a separate element of income for both current and prior periods only if they can be clearly distinguished from the rest of the enterprise.

Distribution system

Historically, Distribution system were stated at cost or deemed cost less accumulated amortization and were amortized over its estimated useful life on a straight-line basis at the following rates and methods:

Distribution system	52 years straight-line method
---------------------	-------------------------------

Prior to the fiscal year ending December 31, 2015, the Association has not recorded the historical cost of assets acquired, or the related amortization of these assets. The current year reflects estimates of historical cost and related accumulated amortization going back to the inception of the association as provided in the current year's historical cost valuation report commissioned.

.

Capital Contributions

Capital contributions represent payments received from members toward the direct cost of new service construction and is amortized into income at the same rate that the related electrical distribution system is amortized.

Capital contribution amounts have been estimated based on the estimated historical cost and related accumulated amortization set forth in the current year's historical cost valuation report commissioned.

Financial Instruments

The organization does not disclose fair value information about financial assets and liabilities for which fair value was not readily obtainable.

Other amounts noted on the Balance Sheet such as prepaid expenses, property, plant and equipment and deferred revenue are not financial instruments.

*(continues)*

---

# TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

## Notes to Financial Statements Year Ended December 31, 2024

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### *Measurement of financial instruments*

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include accounts receivable and Investment Program amounts receivable.

Financial liabilities measured at amortized cost include accounts payable.

The organization holds Nil financial instruments measured at fair value.

#### *Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. 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 net income.

#### *Transaction costs*

The organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance, or assumption.

### 6. SALE OF DISTRIBUTION ASSETS

On December 20, 2023, the organization entered into an agreement to sell its distribution assets to Fortis Alberta ("Fortis") for consideration of the sum of \$11,150,000.00 plus GST. The transaction closed on August 8, 2024. Following the closure of the transaction, the organization dispursed the funds received to its members, less any amounts owed to the organization from its members.

The organization has realized a gain on sale of \$6,909,436.

### 7. CASH

The association maintains unrestricted funds in general and savings accounts and has invested its Deposit Reserve funds in high interest savings account and in term deposits as follows:

	2024	2023
Alberta Treasury Branch savings account	\$ 29,227	\$ 28,163
Alberta Treasury Branch term deposits	-	1,029,837
Alberta Treasury Branch unrestricted saving accounts	2,058,683	360,604
	<u>\$ 2,087,910</u>	<u>\$ 1,418,604</u>

# TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

## Notes to Financial Statements

Year Ended December 31, 2024

### 8. PROMISSORY NOTES RECEIVABLE

The association holds promissory notes receivable owing from members who have utilized the associations Investment Program. In prior years, this Investment Program was provided through EQUUS. The notes are being paid down by way of monthly IRDR payments, and bear no interest.

	2024	2023
Total amounts receivable	\$ -	\$ 120,873
Amounts receivable within one year	-	(6,281)
	<u>\$ -</u>	<u>\$ 114,592</u>

During the year, the organization received all outstanding amounts.

### 9. DISTRIBUTION SYSTEM AND CAPITAL CONTRIBUTIONS

#### Distribution system held for sale

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Distribution system	\$ -	\$ -	\$ -	\$ 4,220,728

Amortization provided for in the current year totalled \$nil (2023 - \$nil) as the distribution assets had been reclassified as held for sale in the prior year and sold on August 8, 2024.

Prior to the fiscal year ending December 31, 2015, the Association has not recorded the historical cost of plant and equipment acquired, or the related amortization of these assets.

During the 2018 fiscal year, the association commissioned an independent valuator to calculate estimated historical cost and accumulated amortization amounts for the association's distribution system assets from the inception of the association. These estimates were based on a reverse extrapolation of current costs over time historically, using factors such as past annual service installation totals and inflation.

The conclusions of this exercise do not constitute a replacement cost minus depreciation approach, a current valuation of the association's distribution assets, or a valuation of the association as a whole.

#### Capital Contributions

	Total Contribution	Accumulated Amortization	2024 Net book value	2023 Net book value
	\$ -	\$ -	\$ -	\$ 2,736,551

During the year, the Association received contributions from members and non-members of \$nil (2023 - \$nil). As a result of the sale of the distribution assets, the organization has recorded amortization of capital contributions of \$2,736,551 (2023 - \$122,603).

Prior to the fiscal year ending December 31, 2015, the Association has not recorded the historical cost of plant and equipment acquired, or the related capital contributions. The current year reflects estimates of historical capital contributions and related accumulated amortization going back to the inception of the association.

**TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED**

**Notes to Financial Statements**

**Year Ended December 31, 2024**

---

**10. EXEMPTION FROM INCOME TAX**

The association is a non-profit organization and is therefore exempt from income tax under Section 149(1)(l) of the Income Tax Act.

---

**11. FINANCIAL INSTRUMENTS**

The organization 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 organization's risk exposure and concentration as of December 31, 2024.

**Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from members and its distribution system operators. In order to reduce its credit risk, the organization conducts regular reviews of its existing members' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of members which minimizes concentration of credit risk.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its members and other related sources, and accounts payable.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

---