

Financial Statements

Attainable Homes Calgary Corporation

For the year ended December 31, 2013

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Independent Auditor's Report

Grant Thornton LLP
Suite 900
833 - 4th Avenue SW
Calgary, AB
T2P 3T5
T +1 403 260 2500
F +1 403 260 2571
www.GrantThornton.ca

To the Directors of
Attainable Homes Calgary Corporation

We have audited the accompanying financial statements of **Attainable Homes Calgary Corporation** which comprise the statement of financial position as at December 31, 2013, and the statements of operations and accumulated operating surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Attainable Homes Calgary Corporation** as at December 31, 2013 and the results of its operation and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Calgary, Alberta
March 19, 2014

Grant Thornton LLP
Chartered Accountants

Attainable Homes Calgary Corporation

Statement of Financial Position

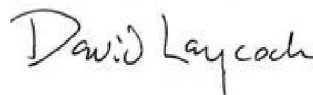
As at	December 31, 2013	December 31, 2012
Financial assets		
Cash and cash equivalents	\$ 2,683,946	\$ 266,105
Accounts receivable	286,232	15,653
Inventory	992,059	-
Site development costs	187,466	209,982
Deposits on units (Note 3)	979,365	1,433,257
Equity receivables (Note 4)	3,973,875	2,321,968
Land (Note 5)	3,862,136	5,960,532
Equity investment in Co-ownership (Note 6)	2,997,647	-
Vendor Take-Back mortgage (Note 7)	1,130,000	-
Total financial assets	17,092,726	10,207,497
Liabilities		
Accounts payable and accrued liabilities	398,737	99,191
Credit facility (Note 8)	2,450,000	1,200,000
Mortgages payable (Note 9)	6,094,794	6,283,682
Deferred sponsorship revenue	6,005	10,683
Customer deposits	42,100	120,000
Deferred gain on transfer of land (Note 6)	442,996	-
Total liabilities	9,434,632	7,713,556
Net financial assets	7,658,094	2,493,941
Non-financial assets		
Tangible capital assets (Note 11)	51,221	55,460
Prepaid expenses	2,543	2,525
Total non-financial assets	53,764	57,985
Accumulated operating surplus	\$ 7,711,858	\$ 2,551,926

Commitments (Note 14)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation

Statement of Operations and Accumulated Operating Surplus

Years Ended December 31	2013	2012
Revenue		
Sales	\$ 36,871,808	\$ 22,473,800
Sales – land (Note 5)	6,784,651	-
Interest revenue	30,878	4,513
Sponsorship revenue	3,995	22,900
Other revenue	36,045	26,215
	<u>43,727,377</u>	<u>22,527,428</u>
Expenditures		
Cost of goods sold	33,638,367	19,634,293
Cost of goods sold – land (Note 5)	3,017,227	-
Marketing and sales	272,564	227,619
Professional fees	187,836	248,944
Occupancy expenses	135,033	98,827
Salaries and benefits	985,594	761,879
Amortization of tangible capital assets	36,825	29,330
General and administrative	84,539	54,858
Interest expense	51,454	40,680
Loss on equity receivables (Note 4)	158,006	4,500
	<u>5,159,932</u>	<u>1,426,498</u>
Operating surplus	<u>5,159,932</u>	<u>1,426,498</u>
Accumulated operating surplus at beginning of year	<u>2,551,926</u>	<u>1,125,428</u>
Accumulated operating surplus at end of year	<u>\$ 7,711,858</u>	<u>\$ 2,551,926</u>

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation

Statement of Change in Net Financial Assets

Years Ended December 31	2013	2012
Operating surplus	\$ 5,159,932	\$ 1,426,498
Tangible capital assets		
Purchases of tangible capital assets	(32,586)	(18,515)
Amortization of tangible capital assets	<u>36,825</u>	<u>29,330</u>
	5,164,171	1,437,313
Others		
Decrease in prepaid expenses	<u>(18)</u>	<u>230</u>
Increase in net financial assets	<u>5,164,153</u>	<u>1,437,543</u>
Net financial assets, beginning balance	<u>2,493,941</u>	<u>1,056,398</u>
Net financial assets, ending balance	<u>\$ 7,658,094</u>	<u>\$ 2,493,941</u>

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation

Statement of Cash Flows

Years Ended December 31

2013

2012

Net inflow (outflow) of cash related to the following activities:

Operating

Surplus	\$ 5,159,932	\$ 1,426,498
Non-cash and non-operating items:		
Amortization of tangible capital assets	36,825	29,330
Income from sale of land	(3,767,424)	-
Loss on equity receivables	150,000	-
Non-cash working capital		
Accounts receivable	(270,579)	44,298
Prepays and deposits	453,874	(85,527)
Inventory	(992,059)	-
Equity receivables	(1,801,907)	(1,933,468)
Accounts payable and accrued liabilities	299,546	(20,433)
Deferred sponsorship revenue	(4,678)	(6,935)
Customer deposits	(77,900)	(10,000)
Change in non-cash working capital	(2,393,703)	(2,012,065)
Cash used in operating activities	(814,370)	(556,237)

Capital transactions

Proceeds from sale of land	3,038,000	-
Additions to site development costs	(655,877)	(148,067)
Purchases of tangible capital assets	(32,586)	(18,515)
Cash used in capital activities	2,349,537	(166,582)

Financing transactions

Proceeds from credit facility	1,250,000	-
Mortgage repayment	(367,326)	-
Cash provided by financing activities	882,674	-

Net increase (decrease) in cash and cash equivalents during the year	2,417,841	(722,819)
Cash and cash equivalents, beginning of year	266,105	988,924
Cash and cash equivalents, end of year	\$ 2,683,946	\$ 266,105

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation

Notes to the Financial Statements

For the year ended December 31, 2013

1. Nature of the business

Attainable Homes Calgary Corporation (the "Corporation"), a private not-for-profit corporation, is wholly-owned by the City of Calgary (the "City") and was incorporated November 27, 2009 under the Business Corporations Act of the Province of Alberta. The Corporation provides working, moderate-income Calgarians an opportunity for home ownership through private and public sector development of entry-level housing.

2. Significant accounting policies

a. Basis of presentation

The financial statements are prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

b. Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and is measurable. Expenses are recognized as they are incurred and are measurable based upon receipt of goods and services and/or the legal obligation to pay.

c. Revenue recognition

Revenue from the sale of housing units is recognized at title transfer of the housing unit and when collectability is reasonably assured. Amounts received from customers that have not met the revenue recognition criteria are included in customer deposits.

Sponsorship revenue is recognized over the period that the sponsorship is related to. Where sponsorship revenue is received during the current period, but relates to future periods, the amount is deferred and included in liabilities on the statement of financial position.

Other revenues include government transfers, contributions and other amounts that are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired. Government transfers and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Interest revenue is recognized when earned.

Attainable Homes Calgary Corporation

Notes to the Financial Statements

For the year ended December 31, 2013

2. Significant accounting policies (continued)

d. Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and bankers' acceptances with original maturities of 90 days or less at the date of acquisition and are recorded at cost.

e. Inventory

The cost of inventory comprises of costs of purchase and other costs incurred in preparing the condos ready for sale. Inventories are measured at the lower of cost and net realizable value, with cost being determined using specific identification. Net realizable value is the estimated selling price in the ordinary course of business less any estimated costs necessary to sell the condos.

f. Site development costs and land

Site development costs and land are carried at the lower of cost and net realizable value.

Land will be used for the construction and development of housing units and consists of the acquisition costs of the land.

Site development costs consist of the capitalized expenditures related to the construction and development of land. Any incidental revenues related to the land inventory have been netted against the site development costs.

g. Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year. The change in non-financial assets during the year, together with the excess of revenues over expenditures, provides the information presented in the Statement of Change in Net Financial Assets for the year.

h. Tangible capital assets

Tangible capital assets are recorded at historical cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Computers	5
Office equipment and furniture	5
Leasehold improvements	3

Attainable Homes Calgary Corporation

Notes to the Financial Statements

For the year ended December 31, 2013

2. Significant accounting policies (continued)

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Site development costs are not amortized until the asset is available for productive use.

h. Accumulated operating surplus

Accumulated operating surplus represents the Corporation's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Corporation has net resources (financial and physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

i. Impairment of assets

When conditions indicate that a tangible capital asset, site development costs or land no longer contributes to the Corporation's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset, site development costs or land are less than its net book value, the cost of the tangible capital asset, site development costs or land is reduced to reflect the decline in the asset's value. The write-down would be included in the statement of operations.

j. Financial instruments and fair values

All of the Corporation's financial instruments have been measured at cost or amortized cost.

The Corporation is exposed to interest rate risk and credit risk.

k. Use of estimates

The financial statements are prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the year. Significant estimates include the provision for asset impairment, useful lives of tangible capital assets and accrued liabilities. Actual results could differ from those estimates.

l. Co-ownership

The Corporation's investment in Co-ownership is accounted for on the equity basis.

Attainable Homes Calgary Corporation

Notes to the Financial Statements

For the year ended December 31, 2013

3. Deposit on units

The Corporation has paid \$961,865 in non-refundable deposits for 91 housing units and refundable deposits of \$17,050 for 1 housing unit. In 2012, the Corporation paid \$1,433,257 in refundable deposits for 128 housing units.

4. Equity receivables

Equity receivables are comprised of amounts that customers owe the Corporation for the purchase of housing units through participation in the Corporation's housing programs. If the customer complies with all the terms of the purchase agreement, then upon the customer selling the unit and repayment of a Participation Amount, the equity receivable is forgiven and no repayment of the principal is required. The Participation Amount is the greater of a specified minimum amount for each unit or the amount calculated as a percentage of the appraised current market value less the customer's deposit and secured first mortgage. The percentage used to calculate the Participation Amount is defined by the time period between the closing date, the date the Corporation sells the unit to the customer, and the disposition date, the date the customer sells the unit, as follows:

Length of ownership of the unit by the customer	% of the Participation Amount
From the closing date to the first anniversary of the closing date	100%
From the first anniversary to the second anniversary of the closing date	75%
From the second anniversary to the third anniversary of the closing date	50%
From the third anniversary until the disposition of the unit	25%

During the year, the Corporation incurred a loss on equity receivables in the amount of \$8,006 (December 31, 2012 - \$4,500). This indicated that the equity receivable on certain properties may not be fully recoverable, hence an allowance of \$150,000 (December 31, 2012 - \$nil) has been recorded in loss on equity receivables on the statement of operations.

5. Land

On November 29, 2013, one parcel of land (the "Land") was transferred from the City to the Corporation. The Land has been recorded at a carrying value of \$178,438. On August 30, 2012, the Corporation and the City entered into a Mortgage (Note 8) and a purchase and sale agreement, whereby the Corporation purchased three parcels of land (the "Lands") from the City. The Lands have been recorded at the carrying value of \$772,220.

During the year, the Corporation sold one parcel of land with a net gain on disposal of \$2.7 million. The Corporation also transferred two parcels of land to homebuilders (See Note 6 and Note 7).

Attainable Homes Calgary Corporation

Notes to the Financial Statements

For the year ended December 31, 2013

6. Equity Investment in Co-ownership

The Corporation has entered into a Co-Ownership agreement (the "Agreement") with a homebuilder (the "Co-Owner Partner") for the purpose of developing, constructing and selling units (the "Project") to qualified middle income Calgarians. In order to complete this Project, the Co-Owners have created a separate legal entity whereby the Co-Owners have equal shares in that entity, with the rights and obligations of each Co-Owner being several and proportionate to their respective Co-Owner interest. As part of this Agreement, the Corporation has transferred to the Co-Ownership the legal title to a parcel of land owned by the Corporation as payment of its contribution. As security for the contribution provided, the Corporation has been granted on behalf of the Co-Ownership, a non interest bearing secured Vendor Take-Back ("VTB") mortgage in the amount of \$3,440,643. Contribution from the Co-Owner Partner will amount to \$3,440,643, to be contributed from time to time during the duration of the Project, and is secured against the title of the Lands by the Co-Owner Partner mortgage, immediately following the VTB Mortgage.

The VTB mortgage amount is based on the total current appraised value of the land, the Corporation's costs and legal fees relating to the Project. However, as this land is transferred to a related party, the full amount of the VTB cannot be recognized in the books of the Corporation for accounting purposes. Accordingly, the VTB has been reduced by the share of the Corporation's gain of \$442,996 on the transfer of land with the difference recorded as a deferred gain on transfer of land. This deferred gain will be recognized as revenue in accordance with the sale of the units in the Project.

7. Vendor Take-Back mortgage

On December 31, 2012, the Corporation entered into an agreement with a homebuilder to work together for development of attainable housing on lands owned by the Corporation. In accordance with this agreement, during fiscal 2013, the Corporation has transferred the legal title of such lands to the project in exchange for a Vendor Take-Back mortgage in favour of the Corporation in the amount of \$1,130,000. The outstanding purchase price owing under the Vendor Take-Back mortgage will be payable six months after the substantial completion of the project.

8. Credit facility

On June 27, 2011, the Corporation and the City entered into an agreement for a \$10 million dollar non-revolving reducing credit facility, where the Corporation would advance funds for the purpose of financing the operating requirements of the Corporation. The Corporation is not entitled to obtain a re-advance or re-borrowing of any portion of the credit facility. Interest is payable on advances semi-annually at a rate of 3.14%, which is the 10 year fixed Alberta Capital Finance Authority ("ACFA") rate as of July 1, 2011. As at December 31, 2013 the Corporation has \$2.45 million outstanding on the credit facility (December 31, 2012 - \$1.20 million) and interest has been paid to December 31, 2013.

Attainable Homes Calgary Corporation

Notes to the Financial Statements

For the year ended December 31, 2013

9. Mortgages payable

On November 29, 2013, a parcel of land with a deemed principal sum of \$178,438 was transferred by the City to the Corporation. This transaction was the final transfer of land in relation to an agreement dated August 30, 2012, whereby the Corporation and the City entered into a Mortgage and a purchase and sale agreement, and the Corporation received the deemed principal sum of \$950,658 by advancement of the transfer of four parcels of land (the "Lands") by the City to the Corporation. The site development loan of \$323,150 advanced by the City to the Corporation on December 29, 2011 has been included in this Mortgage agreement. The maturity date of the Mortgage is the earlier of (i) September 27, 2022 (ii) in the event the Corporation sells any parcel of land, then a portion of the principal sum allocated to the sold parcel as outlined in the Mortgage agreement or (iii) in the event the Corporation sells the Lands in a single transaction, then on the date the Corporation receives the net proceeds of the sale. There is no interest on the principal sum provided the Corporation is not in default of any obligations under the Mortgage. Should the Corporation be in an event of default, the interest rate on the Mortgage is the floating annual prime rate as established by the Royal Bank of Canada and is payable on the outstanding principle sum from the date of event of default to the maturity date. The Corporation was not in default at year end.

The Corporation and the City had also entered into a Mortgage and a purchase and sale agreement on April 7, 2011, whereby the Corporation received the deemed principal sum of \$5,188,312 by advancement of the transfer of four parcels of land (the "Lands") by the City to the Corporation. The maturity date of the Mortgage is the earlier of (i) August 3, 2021, (ii) in the event the Corporation sells any parcel of land, then a portion of the principal sum allocated to the sold parcel as outlined in the Mortgage agreement or (iii) in the event the Corporation sells the Lands in a single transaction, then on the date the Corporation receives the net proceeds of the sale. There is no interest on the principal sum provided the Corporation is not in default of any obligations under the Mortgage. Should the Corporation be in an event of default, the interest rate on the Mortgage is the floating annual prime rate as established by the Royal Bank of Canada and is payable on the outstanding principle sum from the date of event of default to the maturity date. The Corporation was not in default at year end.

During the year, the Corporation sold one parcel of land with a carrying value of \$367,236. Sale of this land has resulted in a corresponding decrease to the mortgage payable.

10. Pension plan

The Corporation provides a contributory pension plan for qualifying employees through participation in the Local Authorities Pension Plan ("LAPP"). LAPP is a multi-employer plan offered to various unrelated employers throughout Alberta. The responsibility for strategic direction and plan asset management is held by the LAPP board of directors, composed of management and labour representatives. The plan provides a defined benefit pension based on the employee's earnings and length of service. The Corporation has accounted for its participation in the plan using defined contribution accounting, as there is insufficient information to apply defined benefit accounting. In 2013, the expense funded and recognized by the Corporation was \$43,929 (2012 - \$41,793).

Attainable Homes Calgary Corporation

Notes to the Financial Statements

For the year ended December 31, 2013

11. Tangible capital costs

December 31, 2013			
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Computers	30,738	17,739	12,999
Office equipment and furniture	43,209	28,261	14,948
Leasehold improvements	82,678	59,404	23,724
Total tangible capital assets	156,625	105,404	51,221

December 31, 2012			
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Computers	43,209	19,620	23,589
Office equipment and furniture	26,784	12,343	14,441
Leasehold improvements	54,046	36,616	17,430
Total tangible capital assets	124,039	68,579	55,460

12. Share capital

The Corporation is authorized to issue an unlimited number of common shares. The shares can be issued only to the City, its agent or successor and are not otherwise transferable. As at December 31, 2013, December 31, 2012 one share was issued.

Attainable Homes Calgary Corporation

Notes to the Financial Statements

For the year ended December 31, 2013

13. Financial instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, equity receivables, vendor take-back mortgages, accounts payable and accrued liabilities, credit facility and mortgages payable. The carrying value of the cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the short term nature of these financial instruments. The estimated fair value of the mortgages payable is \$5,016,015 (2012 – \$5,176,412). Calculation of the estimated fair value of the mortgages payable is based on lending rates obtainable at December 31 for loans with comparable maturities from the City's primary lender, the ACFA. The carrying value of the credit facility approximates fair value as the credit facility's interest rate is based on ACFA rates. The fair value of the equity receivables is not determinable as the fair value is dependent on the future market value of the units and the timing of when customers sell the units.

a. Interest rate risk

Interest rate risk reflects the sensitivity of the Corporation's financial results and condition to movements in interest rates. Interest rate risk is limited for the credit facility as the interest is locked in through ACFA. Interest rate risk is also limited for the mortgages payable and site development loan as interest is only payable in the event of default.

b. Credit risk

The Corporation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Credit risk with respect to cash is limited as cash is placed with major financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the various types of organizations who owe the amounts.

14. Commitments

The Corporation is committed to a contract for the completion of seven housing units in Cranston. The total contract value is estimated to be \$571,862.
