

# Attainable Homes Calgary Corporation

Audit Findings Report  
For the Year Ended December 31, 2019





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April 27, 2020

The Audit and Accountability Committee  
Attainable Homes Calgary Corporation  
610, 940 - 6th Avenue S.W  
Calgary, AB  
T2P 3T1  
Dear Sirs:

**Re: Audit of the financial statements of Attainable Homes Calgary Corporation**

This report summarizes certain key audit findings and responses to assessed audit risks which we believe to be of interest to assist the Audit and Accountability Committee in discharging their responsibilities in connection with the audited financial statements of Attainable Homes Calgary Corporation (the "Corporation") for the year ended December 31, 2019.

We would like to express our appreciation for the cooperation we received from the officers and employees of the Corporation with whom we worked during our audit. We look forward to meeting with the Audit and Accountability Committee to discuss the content of this report and answering any questions you may have.

Yours very truly,

RSM Alberta LLP

per: Terry Booth, Partner

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## Status of the audit

We have substantially completed our audit of the financial statements of the Corporation for the year ended December 31, 2019.

### Outstanding items

The following items require completion prior to issuing our auditor's report:

- receipt of management representation letter (Appendix C);
- subsequent events review to audit report date;
- receipt of updated legal enquiry response; and
- approval of the financial statements by the Board of Directors.

### Independent auditor's report

Our draft independent auditor's report is attached (Appendix B). We expect that our independent auditor's report will contain a "*Material Uncertainty Related to Going Concern*" paragraph drawing attention to the Corporation's going concern disclosure. Our report will not be qualified with respect to this matter.

## Significant audit findings

### Materiality

Final overall materiality was \$460,000 based on 0% of net assets. This was changed from overall planning materiality of \$596,000, as communicated in our Audit Services Plan upon receipt of final numbers.

### Accounting policies

Management is responsible for selecting and applying appropriate accounting policies. The Audit and Accountability Committee is responsible to review accounting policies adopted by the Corporation and where alternative policies are available, determine the most appropriate policies to be adopted in the circumstances. If the Audit and Accountability Committee believes that the adoption of or change in accounting policies may produce inappropriate or misleading financial reporting, this concern must be discussed with management and us.

Our views on the qualitative aspects of accounting practices used in the Corporation's financial reporting are intended to assist the Audit and Accountability Committee in its review of the financial statements. Policies affecting the understandability, relevance, reliability and comparability of the financial statements are:

Changes in significant accounting policies, including adoption of new standards.

New accounting policies adopted during the year are disclosed in note 2(f) to the financial statements and there has been no material impact as a result of adopting the new policies.

Accounting policies unique to the industry, or relate to controversial or emerging areas.	<p>The following policy is unique to the industry:</p> <ul style="list-style-type: none"> <li>The Corporation uses the net yield method when allocating costs within its multi-family project, which is an accounting policy that is unique to the real estate industry and not addressed in the PSAS Handbook, however, is in compliance with Accounting Standards for Private Entities.</li> </ul>
Existence of alternative policies and methods.	No significant items to report.
Effect of timing of occurrence and recognition of transactions relating to when accounting policies are adopted.	No significant items to report.

## Conclusion

We reviewed the significant accounting policies selected and applied by management and in our judgment we believe that the accounting policies are, in all material respects, acceptable under Canadian public sector accounting standards and are appropriate to the particular circumstances of the Corporation.

## Accounting estimates, unusual transactions and financial statement disclosures

Our risk-based audit approach focused on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriate level.

The following is a summary of key issues and significant risks of material misstatement, whether due to fraud or error, encompassing areas of estimates and related judgments and assumptions, significant or unusual transactions and sensitive financial statement disclosures, identified during the audit:

	Valuation of Inventory
Issue/risk area	Valuation of inventory, specifically homes (units), due to the nature of units held, the length of time units have been held, negative margins being realized on the sale of long standing units, and current economic conditions, continues to be an area of significant risk. Inventory is required to be carried at the lower of cost and net realizable value.
Management's approach	The Corporation tested net recoverable value of units held at December 31, 2019 and concluded that, based on appraisals and management's estimates of net realizable value, an impairment charge of \$375,180 was required.
Our response	We have reviewed the inputs, techniques and assumptions used by management, including comparing to recent appraisals and recent sales of comparable units in the developments, and are in agreement with management's assessment of the valuation of inventory units held at December 31, 2019.

	Projects Under Development and Construction
Issue/risk area	<p>Projects under development and construction are carried 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 costs necessary to sell the project under development and complete construction.</p> <p>Costs capitalized to projects under development and construction include all direct costs relating to the project's carrying costs including interest on debt used to finance project acquisitions, insurance, property taxes and land acquisition costs. Corporate administration overhead is not capitalized.</p> <p>The costs of the properties are allocated to each building using specific identification and further to each unit of a project based on projected revenues in the building. The cost of a unit is allocated using the net yield method on the basis of the estimated total cost of the project prorated by the anticipated selling price of the unit over the anticipated selling price of the entire project.</p> <p>As buildings within the project are complete, the construction costs specific to the building as well as a portion of land costs, which are allocated on a pro-rata basis, and estimated completion costs are transferred to inventory. The total estimated costs relating to the sold unit is recorded as a liability once the unit has sold. The unexpended portion of these costs is shown as a provision to complete construction in the statement of financial position. Whenever the estimate is determined to be materially different from the actual costs incurred or expected to be incurred, an adjustment is made to the provision with a corresponding adjustment to the cost of sales and inventory. Independent contractors and management calculate these estimates, however, until the building is completed, these costs are subject to measurement uncertainty.</p> <p>Given the high amount of estimation involved in this model and current real estate market conditions the valuation of projects under development, the valuation of the finished units and the recognition of costs recognized on the sale of these units have been identified as a significant risk area.</p>
Management's approach	<p>Management has estimated project revenues and costs related to the Martindale project and have estimated a gross margin on the project of 1.63%.</p>

Our response	<p>We have reviewed project profitability of the Martindale project and Management's assumptions. This included reviewing and assessing expected sales by comparing to sales recognized during the year or subsequent to year end, as well as firm sales agreements signed. We reviewed and assessed cost estimates and budgets by comparing estimated construction costs to those incurred to date as well as comparing to the Avalon Industries Ltd. (independent third party contractor) budget. We reviewed other soft costs and compared them to third party signed Contracts. Where soft or general costs have been incurred to date and management is not anticipating any further costs, we reviewed the type of cost to determine if it was reasonable that no further costs will be incurred. Based on the work completed, no issues were noted.</p>
	Revenue Recognition & Equity Receivables - Initial Measurement
Issue/risk area	<p>Equity loans are classified as loans receivable under section 3050 of the Public Section Accounting Standards. Under this standard loans receivables should be initially reported at cost and valuation allowances should be used to reflect loans receivable at the lower of cost and net recoverable value.</p> <p>Further to this, under Section 3400, and as per the Corporation's revenue recognition policy, revenue from the sale of a housing unit is recognized upon the transfer of title and when collectability is reasonably assured.</p> <p>Given current real estate market conditions, there continues to be indicators that the growth rates in the Calgary market do not support revenue being recognized beyond the minimum repayments, being 60% of the equity receivable face value for loans signed prior to April 1, 2018, as collection of the full 100% cannot be reasonably assured. Loans signed after April 1, 2018 were written to ensure 100% of the face value is to be repaid regardless of potential depreciation of the home to which it relates.</p>
Management's approach	<p>As all equity loans signed during the year ended December 31, 2019 have a minimum repayment equal to their face value, management has determined that on initial recognition the amount of collection can be determined and is reasonably assured.</p>
Our response	<p>We have reviewed management's assessment of the occurrence of revenue as it relates to their assessment of determining the amount that can be considered reasonably collectable and are in agreement.</p>

	Valuation of Equity Receivables
Issue/risk area	<p>Equity loans are classified as loans receivable under section 3050 of the Public Section Accounting Standards. Under this standard loans receivables should be initially reported at cost and valuation allowances should be used to reflect loans receivable at the lower of cost and net recoverable value.</p> <p>Due to the significant assumptions used in the calculations to assess net recoverable value, as well as current economic conditions, there continues to be indicators that equity receivables may not be fully recoverable. In addition, over the past few years, the Corporation has realized losses on equity receivables as a result of foreclosures.</p>
Management's approach	<p>Net recoverable value at December 31, 2019, as determined by management, was the minimum repayment on all equity receivables and that the allowance previously recorded is appropriate, and does not need to be increased nor reversed.</p> <p>Significant assumptions used in these allowance calculations include expected future market pricing and appreciation of units to be resold, expected timing of unit sales and estimated foreclosure rates. Changes to these assumptions can have significant impact on the calculation of the valuation on equity receivables.</p>
Our response	<p>We have reviewed management's assessment of the collectability of equity receivables, their estimation processes and calculations and conclude that they are reasonable and the allowance recorded in the statement of financial position as at December 31, 2019 is appropriate.</p>
	Occurrence of Revenue
Issue/risk area	<p>Occurrence of revenue, due to the nature and timing of the recording of revenue is considered a significant risk.</p>
Management's approach	<p>Revenue is recorded on possession of units.</p>
Our response	<p>We agreed a sample of amounts recorded in revenue to purchase and sale agreements, final statements of adjustments, and certificates of title and agree that the criteria for the recognition of revenue has been met. There were no issues identified.</p>



	Going Concern
Issue/risk area	<p>The financial statements have 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 Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due.</p> <p>The Corporation incurred a loss of \$2,150,150 for the year ended December 31, 2019 and had cash flows from operations of \$4,580,659, which included \$1,351,502 of costs related to the development and construction of a townhouse project. The Corporation has also recorded inventory write downs to net realizable value and allowances on its equity loans to reduce them to their minimum repayments over the last three and two years, respectively.</p>
Management's approach	<p>Management has forecasted 2020 cash flows based on expected revenues, substantially related to the Martindale project, as well as anticipated operating expenditures and financing draws and repayments. Based on this forecast, management has determined that the Corporation will have the ability to continue as a going concern, provided that it has the continued support of its lenders.</p>
Our response	<p>We have reviewed management's forecast and are in agreement that although material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern, it is appropriate that the financial statements be presented on a going concern basis.</p>
	Management Override of Controls
Issue/risk area	<p>Management override of controls is, by definition, a significant risk.</p>
Our response	<p>During the course of our audit, we designed and performed audit procedures to respond to the risks of management override of controls. Our procedures included assessing appropriateness of general journal entries and other adjustments on a test basis, reviewing accounting estimates for biases and evaluating business rationale for transactions outside the normal course of business. These procedures did not reveal any evidence of management override of controls and, as such, no additional audit procedures were performed.</p>

## Conclusion

We reviewed all significant accounting estimates and agree that they are, in all material respects, free of possible management bias and of material misstatement. The audit procedures performed in the areas noted above were consistent with those set out in our Audit Services Plan. The accounting treatment of the items noted above and related disclosures are appropriate and in accordance with Canadian public sector accounting standards. We were able to obtain sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriate low level.

The Audit and Accountability Committee  
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## Misstatements and adjustments

### **Adjustments**

During our audit, we identified accounting differences that required adjustment. These differences were adjusted by management after discussion with us (Appendix D). In addition, management incorporated various changes to the financial statement disclosure and presentation as recommended by us.

### **Likely aggregate misstatements**

During our audit, we aggregated uncorrected financial statement misstatements. Management deemed the effects of these misstatements to be immaterial, both individually and in the aggregate, to the financial statements. Management has not corrected these misstatements. We are required to request that the Audit and Accountability Committee consider adjusting the financial statements for these misstatements although we acknowledge that the amounts are immaterial (Appendix E).

## Appendix A

### Other required communication



Illegal Acts, Fraud, Intentional Misstatements and Errors	Testing during our audit did not reveal any illegal, improper or questionable payments or acts, nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of financial information.
Related Party Transactions	We conducted tests and procedures to identify related parties and transactions. Our audit did not reveal any related parties or significant related party transactions that were not disclosed to us by management, nor did it reveal any significant related party transactions which give rise to suspected fraud. There has been no disagreement between management and ourselves regarding the accounting for and disclosure of related party transactions.
Deficiencies in Internal Controls	A financial statement audit is not designed to and we are not providing any assurance on internal controls. During our audit, we identified the following significant deficiencies in internal controls:
	<ul style="list-style-type: none"> <li>• Segregation of Duties</li> </ul> <p>The Corporation has a limited number of individuals performing accounting and control functions in addition to having access to Corporation assets. While lack of segregation of duties is common in entities of similar size, we recommend that whenever practical, duties be segregated to help ensure that errors or misappropriations are prevented or detected by management to safeguard Corporation assets. If segregation is not practical or cost effective, senior management should supervise these duties and follow up on any significant or unusual transactions.</p>

## Appendix A

### Other required communication (cont'd)

Deficiencies in Internal Controls (cont'd)	<ul style="list-style-type: none"> <li>Journal Entries</li> </ul> <p>It is the policy of the Corporation that all journal entries be reviewed by the Director of Finance as a part of the quarterly working paper preparation and that the President and CEO perform a quarterly review of financial statements, looking at specifically identified items. The policy further specifies that any losses or write offs be evidenced with signature and date on the journal entry that contains journal entry support, as well as entries above \$500,000 being reviewed and signed by the President &amp; CEO.</p> <p>During our review of journal entries, we noted that journal entries are initiated and recorded by one individual, with no evidence of review or approval, although we acknowledge that appropriate support was attached to the journal entry in all items tested. We also acknowledge that mitigating procedures have been implemented to assess the reasonableness of the transactions that have been recorded during the period, including the review of financial data by the Director of Finance and the quarterly financial statements by the President &amp; CEO, however there was no evidence of this review being completed. Specifically, there was no evidence of losses or write offs being reviewed by the President &amp; CEO.</p> <p>As journal entries could be used to either i) assist in the concealment of the misappropriation of funds or ii) alter intentionally, or through human error, reported financial results, we recommend that journal entries be approved by a second individual and the accuracy of the entry being recorded be checked subsequent to the entry being posted to ensure accuracy of data entry.</p>
Disagreements with Management	During our audit, we did not have any significant disagreements with management.
Consultations with Other Accountants	We are not aware of any consultations that have taken place with other accountants.
Cooperation of Management	We received full cooperation of management and other personnel during our audit and we had full and unrestricted access to all records and personnel required to complete our audit. We encountered no significant difficulties during our audit that should be brought to the attention of the Audit and Accountability Committee.

## Appendix B

### Independent auditor's report



## Independent Auditor's Report

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To the Shareholder of Attainable Homes Calgary Corporation

### Opinion

We have audited the financial statements of Attainable Homes Calgary Corporation (the "Corporation"), which comprise the statement of financial position as at December 31, 2019, 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 Corporation as at December 31, 2019, and the results of its operations, cash flows and changes in net assets for the year ended December 31, 2019 in accordance with Canadian public sector accounting standards.

### 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 Corporation 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.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates the Corporation incurred a net loss for the year ended December 31, 2019 of \$2,150,150 and has experienced asset impairments. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect to this matter.

### Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the 2019 Annual Report.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The 2019 Annual Report is expected to be made available to us after the date to auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

## **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 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.

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

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

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada  
April \*, 2020

## Appendix C

### Management representation letter





## Attainable Homes Calgary Corporation

610, 940 - 6th Avenue S.W  
Calgary, AB  
T2P 3T1

April (•), 2020

RSM Alberta LLP  
Chartered Professional Accountants  
777 8 Avenue SW  
Suite 1400  
Calgary, Alberta  
T2P 3R5

Dear Sir:

We are providing this letter in connection with your audit of the financial statements of Attainable Homes Calgary Corporation (the "Corporation") as at December 31, 2019 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Attainable Homes Calgary Corporation in accordance with Canadian public sector accounting standards.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with Canadian public sector accounting standards and for the design and implementation of internal control to prevent and detect fraud and error. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, as of April (•), 2020, the following representations were made to you during your audit.

### Financial statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 4, 2019, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
2. The Corporation's significant accounting policies are disclosed in the financial statements and:
  - (a) there have been no changes in the Corporation's accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.
  - (b) the accounting policies selected and applied are appropriate in the circumstances.
  - (c) significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.
3. Significant matters have not arisen that would require a restatement of the comparative financial statements.

4. The financial statements, which have been prepared on a going concern basis, assume that the Corporation will be able to meet its commitments, continue its operations, realize its assets and discharge its liabilities in the normal course of business. The financial statements do not reflect adjustments to the carrying values of assets and liabilities that may be necessary should the Corporation be unable to achieve sufficient cash flows to continue as a going concern. Such adjustments could be material. The Corporation's ability to continue on as a going concern is dependent on its ability to achieve cash flows from operations and arrange additional financing. We have disclosed to you the Corporation's future plans in relation to its going concern assessment and the feasibility of these plans. There is no assurance that this financing or cash flows from operations will be available to the Corporation and, accordingly, there is doubt about the Corporation's ability to continue as a going concern.

#### **Completeness of information**

5. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of this audit;
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
  - all minutes of the meetings of shareholders, directors and committees of directors, or summaries of recent meetings for which minutes have not yet been prepared.
6. The minute books of the Corporation are a complete record of all meetings and resolutions of the Corporation throughout the years and to the present date.
7. All transactions have been recorded in the accounting records and are reflected in the financial statements.
8. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory agencies, applicable securities commissions or governmental authorities, including their financial reporting requirements.
9. We are unaware of any instances of non-compliance or suspected non-compliance with laws or regulations the effects of which should be considered when preparing financial statements.
10. We have identified to you all known related parties and all known related party relationships and transactions, including guarantees, non-monetary transactions and transactions for no consideration.
11. We have communicated to you all deficiencies in internal control of which management is aware.

#### **Fraud and error**

12. We have no knowledge of fraud or suspected fraud affecting the Corporation involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial statements.
13. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation's financial statements communicated by employees, former employees, analysts, regulators or others.
14. We believe that the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## Recognition, measurement and disclosure

15. We believe that the significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.
16. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
17. All related party relationships and transactions have been appropriately measured and disclosed in the financial statements.
18. We are aware of the environmental laws and regulations that impact on our Corporation and we are in compliance. There are no known environmental liabilities that have not been accrued for or disclosed in the financial statements.
19. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
20. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel. Any such items have been accounted for and disclosed in accordance with Canadian public sector accounting standards.
21. We confirm that there are no derivative or off-balance sheet financial instruments held at the year then ended December 31, 2019.
22. All liabilities, both actual and contingent, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
23. The Corporation has satisfactory title to, or control over, all assets, and there are no liens or encumbrances on the Corporation's assets or assets pledged as collateral that are not disclosed in the notes to the financial statements.
24. We have disclosed to you, that the Corporation has not complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt. The financial statements include appropriate disclosures in this regard.
25. We confirm the appropriateness of accounting policies and the application thereof for complex areas of accounting and areas involving management's judgment and estimates, for example:
  - estimates relating to the valuation of inventory;
  - estimates relating to the valuation of land and site development costs;
  - the initial set up lot inventory, including all costs and estimates for both internal and external sources used in calculating the total development and construction cost of projects under development and construction;
  - estimates relating to the valuation of projects under development and construction;
  - estimates relating to the occurrence of revenue relating to the initial measurement of equity receivables;
  - estimates relating to the valuation and collection of equity receivables;
  - the completeness of accounts payable and accrued liabilities;
  - the completeness of provision to complete construction; and
  - the appropriateness of the going concern assumption

26. There have been no events subsequent to the statement of financial position date up to the date hereof that would require recognition or disclosure in the financial statements other than that disclosed in the notes to the financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and the related notes.
27. We agree with the findings of Avison Young Valuation & Advisory Services (the "specialist") in evaluating the Corporation's inventory and land and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialist with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that could reasonably be thought to impact the independence or objectivity of the specialist.
28. We will provide a final version of the 2019 Annual Report to you when available, and prior to its issuance, such that all required audit procedures can be completed.
29. The terms of your engagement, as set out in your letter to us dated November 4, 2019, are still in effect and we agree with the terms as set out.

**Journal entry approval**

30. We approve of and acknowledge responsibility for the journal entries summarized in the accompanying schedule.

Yours very truly,

---

Jaydan Tait, President & CEO

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Jaycee Ho, Interim Director of Finance

/cdm

## Appendix D

### Summary of adjustments



**Attainable Homes Calgary Corpora**

Year End: December 31, 2019

Journal Entries: Adjusting

Date: 1/01/19 To 12/31/19

Prepared by SR 2/22/20	In-Chrg Review	Manager Review	Snr Mgr Review CM 2/10/20
Partner Review TB 2/15/20	EQCR Manager	EQCR Partner	Consult

Number	Date	Name	Account No	Reference	Debit	Credit
RSM01	12/31/19	Inventory - Houses	1490	5320		375,180.31
RSM01	12/31/19	Loss on Impairment of Assets	5009	5320	375,180.31	
		To record inventory write-down to lower of Cost and Net Realizable Value				
RSM02	12/31/19	Inventory - Houses	1490	5340 / 5320		20,424.65
RSM02	12/31/19	Work-In-Progress - Construction:1501 WIP Esti 1500-1501		5340 / 5320	13,699.73	
RSM02	12/31/19	Purchase/Cost of Materials:COGS - Reach Mart 8319-8355		5340 / 5320	6,724.92	
		To adjust ending inventory on Reach Martindale Units				
RSM03	12/31/19	Provision to Complete	2629	5340	949,983.31	
RSM03	12/31/19	Work-In-Progress - Construction:1501 WIP Esti 1500-1501		5340		949,983.31
		To adjust provision to complete				
RSM04	12/31/19	Equity Loan Write-Off:4206 Equity Loan W/O BI 4200		5637	5,650.00	
RSM04	12/31/19	Equity Loan:Equity Loan - Cranston Apt 1699-1704		5637		10,988.84
RSM04	12/31/19	Equity Loan:Equity Loan - Sky View 5000 1699-1707		5637		12,700.00
RSM04	12/31/19	Equity Loan:Equity Loan - BH 2 1699-1709		5637		9,737.00
RSM04	12/31/19	Equity Loan:Equity Loan - Skymill 2000 1699-1714		5637		9,950.00
RSM04	12/31/19	Equity Loan:Equity G/L Receivable Disc 1699-1729		5637	17,725.84	
RSM04	12/31/19	Equity Loan Write-Off - Cr Apt 4200-4204		5637	6,000.00	
RSM04	12/31/19	Equity Loan Write-Off:Equity Loan Write-Off SV 4200-4207		5637	7,500.00	
RSM04	12/31/19	Equity Loan Write-Off - SM2 4200-4214		5637	6,500.00	
		To record 2019 foreclosures				
RSM05	12/31/19	Equity Loan:Equity G/L Receivable Disc 1699-1729		5632-1	106,383.64	
RSM05	12/31/19	Sales:Sales - Redstone 4000-4014		5632-1		20,942.64
RSM05	12/31/19	Sales - Arbours II, III 4000-4018		5632-1		17,205.00
RSM05	12/31/19	Sales:Sales - Orchard Sky 4000-4022		5632-1		2,495.00
RSM05	12/31/19	Sales:Sales - Varsity 4000-4023		5632-1		5,750.00
RSM05	12/31/19	Sales:Sales - Buffalo 4000-4029		5632-1		58,151.00
RSM05	12/31/19	Sales:Sales - Sunalta 4000-4030		5632-1		1,840.00
		To reverse Day #1 write-downs for contracts written under New Loan Agreement (Min Repayment = Face Value of Loan) - YE18 ELs				
RSM06	12/31/19	Equity Loan:Equity G/L Receivable Disc 1699-1729		5638	306,154.02	
RSM06	12/31/19	Sales:Sales - Redstone 4000-4014		5638		9,376.00
RSM06	12/31/19	Sales:Sales - Orchard Sky 4000-4022		5638		4,798.00
RSM06	12/31/19	Sales:Sales - Varsity 4000-4023		5638		9,598.00
RSM06	12/31/19	Sales:Sales - Chalet No.6 4000-4024		5638		4,934.50
RSM06	12/31/19	Sales:Sales - Buffalo 4000-4029		5638		63,776.00
RSM06	12/31/19	Sales:Sales - Sunalta 4000-4030		5638		3,620.00
RSM06	12/31/19	Sales:Sales - Sunalta 4000-4030		5638		5,196.00
RSM06	12/31/19	Sales:Sales - Ashbury 4000-4032		5638		2,698.00
RSM06	12/31/19	Sales:Sales - Laurels 4000-4034		5638		4,558.00
RSM06	12/31/19	Sales:Sales - Sage Meadows 4000-4036		5638		19,975.28
RSM06	12/31/19	Sales:Sales - Reach Martindale Market 4000-4037		5638		90,175.28

# Attainable Homes Calgary Corpora

Year End: December 31, 2019

Journal Entries: Adjusting

Date: 1/01/19 To 12/31/19

Prepared by <a href="#">SR 2/22/20</a>	In-Chrg Review	Manager Review	Snr Mgr Review <a href="#">CM 2/10/20</a>
Partner Review <a href="#">TB 2/15/20</a>	EQCR Manager	EQCR Partner	Consult

Number	Date	Name	Account No	Reference	Debit	Credit
RSM06	12/31/19	Sales:Sales - Winston	4000-4038	5638		44,974.34
RSM06	12/31/19	Sales:Pocket Admin - Avalon	4000-4300	5638		42,474.62
To reverse Day #1 write-downs for contracts written under New Loan Agreement (Min Repayment = Face Value of Loan) - YE19 ELs						
					<b>1,801,501.77</b>	<b>1,801,501.77</b>

Net Income (Loss) (2,150,150.20)

## Appendix E

### Summary of uncorrected misstatements

Effect: Increase (Decrease)						
Description	Assets	Liabilities	Net Assets	Revenue	Expenses	Revenue over (under) expenses
<b>Unrecorded misstatement - factual</b>						
SLAM02 - Write off of inventory operating costs recorded to Operating Costs should be written off through Inventory Write Down (Income Stmt Classification)	-	-	-	(74,953)	(74,953)	-
SLAM04 - YE19 revenue overstated for YE18 Equity Loan adjustment	-	-	106,384	(106,384)	-	(106,384)
<b>Unrecorded misstatement - Projected</b>						
None present						
<b>Unrecorded misstatement - Judgmental</b>						
SLAM03 - Additional foreclosure allowance on Equity Receivables	\$ (23,199)	\$ -	\$ -	\$ (23,199)	\$ -	\$ (23,199)
Total uncorrected misstatements	\$ (23,199)	\$ -	\$ 106,384	\$ (204,536)	\$ (74,953)	\$ (129,583)
Cumulative net assets misstatements			\$ (23,199)			



## Appendix F

### Draft financial statements





**Financial Statements**  
**For the year ended December 31, 2019**

## Independent Auditor's Report

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To the Shareholder of Attainable Homes Calgary Corporation

### Opinion

We have audited the financial statements of Attainable Homes Calgary Corporation (the "Corporation"), which comprise the statement of financial position as at December 31, 2019, 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 Corporation as at December 31, 2019, and the results of its operations, cash flows and changes in net assets for the year ended December 31, 2019 in accordance with Canadian public sector accounting standards.

### 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 Corporation 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.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates the Corporation incurred a net loss for the year ended December 31, 2019 of \$2,150,150 and has experienced asset impairments. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect to this matter.

### Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the 2019 Annual Report.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The 2019 Annual Report is expected to be made available to us after the date to auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

## **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 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.

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

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

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada  
April \*, 2020

# Attainable Homes Calgary Corporation

## Statement of Financial Position

As at December 31, 2019 (with comparatives as at December 31, 2018)

	2019	2018
<b>ASSETS</b>		
Cash (Note 14)	\$ 1,350,714	\$ 1,260,996
Accounts receivable	58,066	42,111
Prepaid expenses	39,222	108,320
Inventory (Note 3)	5,370,452	12,052,125
Deposits on units (Notes 4 and 15)	518,805	856,081
Other deposits (Note 5)	11,811	45,237
Equity receivables (Note 6)	5,320,698	4,861,061
Land and site development costs	4,625,904	4,643,809
Projects under development and construction (Note 7)	4,312,609	5,664,111
Tangible capital assets (Note 11)	24,393	36,472
Total assets	\$ 21,632,674	\$ 29,570,323
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 577,841	\$ 2,062,483
Provision to complete construction	88,266	-
Credit facilities (Note 8)	5,933,746	10,422,353
Mortgages payable (Note 9)	3,278,804	3,278,804
Customer deposits	139,667	59,786
Deferred rent expense	19,342	7,461
Unearned revenue	6,937	1,215
Total liabilities	10,044,603	15,832,102
<b>NET ASSETS</b>		
Share capital (Note 13)	1	1
Operating reserve (Note 14)	1,000,000	1,000,000
Unrestricted surplus (Note 14)	10,588,070	12,738,220
Total net assets	11,588,071	13,738,221
Total liabilities and net assets	\$ 21,632,674	\$ 29,570,323

Contractual obligations (Note 15)  
Subsequent events (Note 1, 9 and 15(a))

See accompanying notes to the financial statements.

On behalf of the Board

\_\_\_\_\_, Director      \_\_\_\_\_, Director

# Attainable Homes Calgary Corporation

## Statement of Operations

Year ended December 31, 2019 (with comparatives for the year ended December 31, 2018)

	2019	2018
Sales	\$ 20,928,556	\$ 12,891,991
Cost of sales	<u>20,419,063</u>	<u>12,461,203</u>
Gross margin (note 12)	<u>509,493</u>	<u>430,788</u>
Other income	<u>392,472</u>	<u>136,573</u>
	<u>901,965</u>	<u>567,361</u>
<b>EXPENSES</b>		
Salaries and benefits (Note 10)	1,073,218	951,145
Professional fees	222,609	422,645
Marketing and sales	461,732	348,408
Occupancy expenses	122,248	77,743
General and administrative	101,285	99,882
Inventory carrying costs	316,120	328,603
Interest expense	<u>336,879</u>	<u>268,247</u>
	<u>2,634,091</u>	<u>2,496,673</u>
<b>DEFICIENCY BEFORE THE FOLLOWING:</b>	<u>(1,732,126)</u>	<u>(1,929,312)</u>
Amortization of tangible capital assets (Note 11)	13,507	13,680
Impairment of inventory (Note 3)	375,180	579,300
Unrealized loss on equity receivables (Note 6)	-	314,923
Realized gain on equity receivables (Note 6)	(3,303)	(9,295)
Bad debt expense	<u>32,640</u>	<u>17,900</u>
	<u>418,024</u>	<u>916,508</u>
<b>OPERATING DEFICIENCY</b>	<u>\$ (2,150,150)</u>	<u>\$ (2,845,820)</u>

See accompanying notes to the financial statements.

## Attainable Homes Calgary Corporation

### Statement of Changes in Net Assets

Year ended December 31, 2019 (with comparatives for the year ended December 31, 2018)

	2019	2018
NET ASSETS, BEGINNING OF YEAR	\$ 13,738,221	\$ 16,584,041
OPERATING DEFICIENCY	<u>(2,150,150)</u>	<u>(2,845,820)</u>
NET ASSETS, ENDING OF YEAR	<u>\$ 11,588,071</u>	<u>\$ 13,738,221</u>

See accompanying notes to the financial statements.

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# Attainable Homes Calgary Corporation

## Statement of Cash Flows

Year ended December 31, 2019 (with comparatives for the year ended December 31, 2018)

	2019	2018
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING</b>		
Operating (deficiency)	\$ (2,150,150)	\$ (2,845,820)
Non-cash and non-operating items:		
Amortization of tangible capital assets	13,507	13,680
Amortization of deferred financing costs	906	15,082
Unrealized loss on equity receivables	-	314,923
Impairment of inventory	375,180	579,300
	<u>(1,760,557)</u>	<u>(1,922,835)</u>
Non-cash working capital and other operating balances:		
Accounts receivable	(15,955)	230,806
Prepaid expenses	69,098	(95,546)
Deposits on units and other deposits	370,702	1,132,500
Inventory	6,306,493	(1,698,417)
Equity receivables	(459,637)	38,228
Land and site development costs	17,905	(1,165,944)
Projects under development and construction	1,351,502	(4,189,911)
Accounts payable and accrued liabilities	(1,484,642)	1,789,336
Provision to complete construction	88,266	-
Customer deposits	79,881	46,056
Deferred rent expense	11,881	7,461
Unearned revenue	5,722	1,215
	<u>6,341,216</u>	<u>(3,904,216)</u>
Cash provided by (used in) operating activities	<u>4,580,659</u>	<u>(5,827,051)</u>
<b>CAPITAL TRANSACTIONS</b>		
Purchases of tangible capital assets	<u>(1,428)</u>	<u>(19,090)</u>
Cash used in capital activities	<u>(1,428)</u>	<u>(19,090)</u>
<b>FINANCING TRANSACTIONS</b>		
Proceeds from credit facilities	12,389,379	17,990,186
Repayment of credit facilities	<u>(16,878,892)</u>	<u>(11,433,889)</u>
Cash (used in) provided by financing activities	<u>(4,489,513)</u>	<u>6,556,297</u>
Increase in cash, during the year	89,718	710,156
Cash, beginning of year	<u>1,260,996</u>	<u>550,840</u>
Cash, end of year	\$ <u>1,350,714</u>	\$ <u>1,260,996</u>

See accompanying notes to the financial statements.



# Attainable Homes Calgary Corporation

## Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

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### 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. The Corporation is exempt from tax under the *Canada Income Tax Act*.

These financial statements have 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 Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due. These financial statements do not reflect the adjustments necessary to the presentation and carrying amounts of the assets and liabilities if the Corporation were not able to continue operations and as such adjustments and reclassifications could be material.

The Corporation incurred a loss of \$2,150,150 for the year ended December 31, 2019 (2018 - \$2,845,820). The Corporation has also recorded inventory write downs to net realizable value and allowances on its equity loans to reduce them to their minimum repayments over the last three and two years, respectively.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Corporation's operations, suppliers or other vendors, and customer base, specifically home buyers. Any quarantines, labour shortages or other disruptions to the Corporation's operations, or those of their customers, may adversely impact the Corporation's revenues and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Corporation operates, resulting in an economic downturn that could affect demand for its inventory and program. As of the date of these financial statements, any new work to be started related to the Corporation's project under development and construction will not commence for an unknown period of time. All of the buildings previously under construction at December 31, 2019 have all been completed subsequent to year end. The extent to which the coronavirus impacts the Corporation's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

These factors indicate material uncertainties that cast significant doubt on the Corporation's ability to continue as a going concern.

The Corporation's ability to continue as a going concern is dependent upon its ability to:

- sell the existing inventory and complete and sell the townhouse units under construction at or above its carrying cost at completion;
- sustain positive cash flows from operations; and
- continue to obtain support from its lenders or other parties to meet current and future liabilities and contractual obligations (note 15).

# Attainable Homes Calgary Corporation

## Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

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### 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 ("PSAS for Government NPOs").

#### b. Revenue recognition

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

Other revenues include application fees, customer deposits retained from rescinded purchase transactions, rental income earned from the rental of completed inventory units and administration fees related to the facilitation of sales of housing units not held by the Corporation but sold to individuals that qualify for the Corporation's housing program.

Revenue from application fees is recognized upon the customer paying a non-refundable fee in order to hold the unit selected. Customer deposits retained from rescinded purchase transactions are recognized when a client cancels the transaction after the 10-day rescission period has passed and the waivers have been signed by the client and the Corporation. Rental income is recognized monthly, as the rental occurs. Administration fees are recognized when a firm deal on a housing unit is signed and possession date has been set, the amount can be reasonably estimated and collection is reasonably assured.

Interest revenue is recognized on an accrual basis, using the effective interest method.

#### c. Inventory

The cost of inventory consists of purchase costs of housing units and other costs incurred in preparing the units to be 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 needed to sell the units.

#### d. Equity receivables

Equity receivables are recognized by the Corporation on the date the Corporation assumes the risks associated with, and acquires the right to receive repayment of principal plus any shared appreciation, in accordance with the terms of the equity loan agreement (Note 6) and when the amount of the loan can be reliably measured. This normally coincides with the disbursement of funds and sale of a housing unit.

## **Attainable Homes Calgary Corporation**

### **Notes to the Financial Statements**

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

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#### **2. Significant accounting policies (continued)**

Equity receivables are initially reported at cost. Valuation allowances are used to reflect the equity receivable at the lower of cost and net recoverable value. Net recoverable value is the amount determined by management to be the amount of loan receivable that will ultimately be collected. Valuation allowances are determined using the best estimates available in light of past events, current conditions and taking into account all circumstances known at each financial reporting date. Subsequent to initial recognition, valuation allowances are recognized as unrealized losses on the statement of operations. If it is determined that the net recoverable value has subsequently increased, equity receivables can be written back up to their original cost and this reversal of a previously recorded allowance is offset against unrealized losses on the statement of operations in the period that the reversal takes place. Gains or losses are realized in the statement of operations in the period in which the equity receivables are settled.

##### **e. Land and site development costs**

Land and site development costs are carried 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 costs necessary to sell the land.

Land will be used for the construction and development of housing units and is recorded at the fair market value of the land at time of acquisition.

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.

##### **f. Projects under development and construction**

Projects under development and construction are carried 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 costs necessary to sell the project under development and construction.

Costs capitalized to projects under development and construction include all direct costs relating to the project's carrying costs including interest on debt used to finance project acquisitions, insurance, property taxes and land acquisition costs. Corporate administration overhead is not capitalized.

The costs of the properties are allocated to each building using specific identification and further to each unit of a project based on projected revenues in the building. The cost of a unit is allocated using the net yield method on the basis of the estimated total cost of the project prorated by the anticipated selling price of the unit over the anticipated selling price of the entire project.

# Attainable Homes Calgary Corporation

## Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

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### 2. Significant accounting policies (continued)

As buildings within the project are complete, the construction costs specific to the building as well as a portion of land costs, which are allocated on a pro-rata basis, and estimated completion costs are transferred to inventory. The total estimated costs relating to the sold unit is recorded as a liability once the unit has sold. The unexpended portion of the total estimated costs is shown as a provision to complete construction in the statement of financial position. Whenever the estimate is determined to be materially different from the actual costs incurred or expected to be incurred, an adjustment is made to the provision with a corresponding adjustment to the cost of sales and inventory. Independent contractors and management calculate these estimates, however, until the building is completed, these costs are subject to measurement uncertainty.

#### g. 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

One-half of the annual amortization is charged in the year of acquisition and one-half in the year of disposal.

#### h. Impairment of assets

When conditions indicate that a tangible capital asset, inventory, 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 asset are less than its net book value, the cost of the asset, is reduced to reflect the decline in the asset's net realizable value. When the opposite occurs on an asset that has previously been impaired, an impairment reversal is recorded, up to the assets original cost before any impairments. Any write-down, or reversal of write down, is included in the statement of operations.

#### i. Financial instruments and fair values

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

## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

#### 2. Significant accounting policies (continued)

##### j. 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 valuation of inventory, land and site development costs, allowance for doubtful equity receivables and provision to complete construction. Actual results could differ from those estimates.

#### 3. Inventory

Inventory consists entirely of housing units held for re-sale. During the year ended December 31, 2019 inventory was written down by \$375,180 (2018 - \$579,300) to its net realizable value, which has been included in impairment of inventory on the statement of operations.

The movement in inventory during the year consists of the following:

	2019		2018	
	Units	\$	Units	\$
Balance, beginning of year	50	\$ 12,052,125	47	\$ 10,933,008
Purchases	19	4,941,739	49	13,998,388
Transfers from projects under development	36	9,037,114	-	-
Inventory sold	(82)	(20,285,346)	(46)	(12,299,971)
Impairment	-	(375,180)	-	(579,300)
Balance, end of year	23	\$ 5,370,452	50	\$ 12,052,125

## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

#### 4. Deposits on units

As at December 31, 2019, the Corporation has paid \$518,805 (2018 - \$856,081) in non-refundable deposits for 36 (2018 – 68) housing units.

The movement in deposits on units during the year consists of the following:

	2019		2018	
	Units	\$	Units	\$
Balance, beginning of year	68	\$ 856,081	35	\$ 485,708
Additions	-	43,200	84	1,063,585
Carrying costs incurred	-	74,954	-	-
Possessions	(19)	(238,231)	(51)	(693,212)
Deposits released	(11)	(142,245)	-	-
Write-off of carrying costs	-	(74,954)	-	-
Balance, end of year	38	\$ 518,805	68	\$ 856,081

During the year ended December 31, 2019 amendments were made to Purchase Agreements, resulting in the units originally agreed to be purchased being exchanged for a different unit. This exchange did not result in a net change in quantity of units and deposits made on the original units were transferred to the new units. The exchange increased the deposit on two units, as noted in the additions above. As a part of these amendments to the Purchase Agreements, 11 units were removed from the original contracts and the deposits were released back to the Corporation during the year.

During the year ended December 31, 2019, \$74,954 (2018 - \$nil) of carrying costs were incurred due to the Corporation deferring the purchase of inventory units (note 15(a)). These amounts were determined to not be recoverable and have been written off through the statement of operations as a part of inventory carrying costs.

#### 5. Other deposits

As at December 31, 2019, the Corporation has paid \$11,811 (2018- \$45,237) in other deposits related to a security deposit on the Corporation's rental space leased in 2018.

The balance at December 31, 2018 related to a deposit related to the Corporation's rental space leased in 2018 as well as refundable deposits paid to builders on units.

## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

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#### 6. Equity receivables

Equity receivables comprise amounts that customers owe the Corporation for the purchase of housing units through participation in the Corporation's housing programs. The amount recorded is approximately 5% of the original sales value of each unit and is stipulated in each equity loan contract signed by the Corporation and the customer.

For agreements entered into prior to April 1, 2018, at such time that the customer sells or refinances their unit, they are obligated to pay the greater of the predetermined minimum repayment amount or a shared participation amount. The shared participation amount is calculated as a percentage of the appraised current market value less the customer's deposit and secured first mortgage.

For agreements entered into after April 1, 2018, at such time that the customer sells or refinances their unit, they are obligated to pay the predetermined minimum repayment amount plus a shared participation amount. The shared participation amount is calculated as a percentage of the appraised current market value less the customer's deposit and secured first mortgage and equity loan receivable.

The length of ownership of the unit by the customer is calculated as the period between the closing date and the disposition date. The number of years the customer owns the property dictates the percentage used in the shared participation calculation; as follows:

*For agreements entered into prior to April 1, 2018:*

<b>Length of ownership of the unit by the customer</b>	<b>% of the shared participation due to the Corporation</b>
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%



## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

As at and for the year ended December 31, 2019  
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#### 6. Equity receivables (continued)

For agreements entered into subsequent to April 1, 2018:

Length of ownership of the unit by the customer	% of the shared participation due to the Corporation
From the closing date to the first anniversary of the closing date	100%
From the first anniversary to the third anniversary of the closing date	75%
From the third anniversary to the fifth anniversary of the closing date	50%
From the fifth anniversary until the disposition of the unit	25%

Equity receivables consist of the following:

	2019	2018
Face value of equity receivable, beginning of year	\$ 8,572,274	\$ 8,838,650
Add: Value of sales in the year	871,761	344,250
Less: Value of loans settled in the year	(735,590)	(610,626)
Face value of equity receivable, end of year	8,708,445	8,572,274
Net recoverable allowance, beginning of year	3,711,213	3,624,438
Less: Net recoverable allowance on loans settled in the year	(323,466)	(228,427)
Add: Write down to net recoverable value on prior year loans	-	250,826
Add: Increase in foreclosure allowance	-	64,376
Net recoverable allowance, end of year	3,387,747	3,711,213
Equity receivable, net, end of year	\$ 5,320,698	\$ 4,861,061

During the year ended December 31, 2019, \$735,590 (2018 - \$610,626) of gross equity receivables, net of previously recorded allowances of \$323,466 (2018 - \$228,427) were settled for cash proceeds of \$415,427 (2018 - \$391,494) resulting in a realized gain of \$3,303 (2018 - \$9,295) which has been included in the statement of operations.

The Corporation holds encumbrances and security over the property to which the equity receivable relates.



## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

#### 7. Projects under development and construction

Projects under development and construction consist of land and development costs on a multi-family project located in the north-east of Calgary. The balance consists of:

	2019	2018
Opening balance	\$ 5,664,111	\$ -
Cost incurred:		
Land	-	1,474,200
Project costs	7,685,612	4,189,911
Transfers to inventory	(9,037,114)	-
Closing balance	\$ 4,312,609	\$ 5,664,111

#### 8. Credit facilities

Credit facilities outstanding consist of \$5,933,746 (2018 - \$7,357,755) under the revolving operating facility of \$NIL (2018 - \$3,064,598) under the evergreen facility and \$NIL (2018 - \$NIL) under the temporary bridge loan.

##### a) Revolving operating facility

On October 31, 2019 the Corporation entered into a new agreement, that replaced a previous facility with the same lender, where the Corporation has available a \$10 million revolving operating credit facility with a financial institution that is due February 28, 2020 with an option to extend for an additional 364 days, at the discretion of the lender, but shall not be extended beyond June 30, 2021. During the year, the loan was extended to February 28, 2021. The credit facility is available by way of prime-based loans, guaranteed notes and up to \$3,000,000 of letters of credit.

Interest is payable monthly at an annual rate of prime less 0.75%. As at December 31, 2019 the Corporation had \$6,251,750 (2018 - \$7,878,885) outstanding on the credit facility, comprised of \$5,933,746 (2018 - \$7,357,755) outstanding on the revolving credit facility, and three (2018 - three) letters of credit of \$313,426 (2018 - \$515,645) in favour of The City of Calgary that expire between June 29, 2020 and September 19, 2020 and renew automatically on expiry.

Borrowings under this credit facility are secured by a general security agreement. In addition, The City of Calgary has provided a continuing \$10 million guarantee in exchange for first ranking fixed charge on all the Corporation's present and after acquired property.

##### b) Evergreen facility

On June 4, 2019, the Corporation entered into a new agreement that replaced a previous facility with the same lender, for a \$10 million evergreen loan facility with a financial institution. Funds are not available under this facility until after May 31, 2020 subject to the annual review. The facility is non-revolving and amounts repaid may not be reborrowed.

## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

#### 8. Credit facilities (continued)

The evergreen facility is payable in full on demand by the Lender and is to be used for purchase of completed units from various housing projects and developments in the City of Calgary. Advances under this facility will be determined by the Lender. The Lender will finance the amount up to 75% of the purchase price of the eligible units (as defined by the agreement) with a minimum advance of \$500,000 and maximum advance of \$2,500,000.

The balance of all amounts owing under each advance are payable by the end of twelve months from the date of such advance, except the advance relating to Chalet No. 6, which was due on July 31, 2019.

Interest was payable monthly at an annual rate of prime plus 0.75% for funds advanced on the Chalet No. 6 advance and prime plus 0.35% for all other advances and a mandatory repayment of 100% of net sale proceeds of each unit is to be applied as a principal repayment under the facility. The Corporation had the following amounts outstanding:

	December 31, 2019	December 31, 2018
	Amount	Amount
Chalet No. 6	\$ -	\$ 564,598
Buffalo	-	2,500,000
	<u>\$ -</u>	<u>\$ 3,064,598</u>

Borrowings under this facility are secured by a \$10 million first fixed charge over all eligible units (as defined by the agreement) financed under this facility. The City of Calgary subordinates and postpones security interest (see Note 9(a)) as it relates to any eligible units financed under this facility. The book value of the assets secured under this facility is \$nil (2018 - \$3,995,152).

The Corporation is required to maintain a total debt-to-equity ratio of less than 2.50:1 relating to this facility. At December 31, 2019, the Corporation is in compliance with this covenant.

This credit facility is scheduled for its next annual review on May 31, 2020, but may be set at an earlier or later date at the sole discretion of the Lender.

#### c) Temporary bridge loan

On June 14, 2019 the Corporation entered into an agreement for a temporary bridge loan facility with a financial institution that could not exceed the lesser of \$2,000,000 and 50% of the sales price of unconditional sales contracts relating to the Corporation's multi-family project being constructed (note 7). The facility was only available by way of one advance that was made prior to June 30, 2019. Amounts not drawn at that date were cancelled and no longer available to the Corporation.

## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

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#### 8. Credit facilities (continued)

The temporary bridge loan was payable in full on demand by the Lender. Interest was payable monthly at an annual rate of prime plus 0.70% and a mandatory repayment of the balance of all amounts owing under the facility to be repaid with 100% of the net sale proceeds of each unit from the multi-family project, with the balance of all amounts owing under the facility being due and payable by August 15, 2019.

Borrowings under this facility were secured by an irrevocable assignment of sales proceeds up to a maximum of \$2,000,000 with respect to the eligible units financed under the facility. The City of Calgary subordinates and postponed security interest (see Note 9) as it related to any eligible units financed under this facility.

During the year ended December 31, 2019, all amounts drawn were fully repaid and the facility was cancelled by the Lender.

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#### 9. Mortgages payable

The Corporation and the City 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. The balance owing on the mortgage is \$3,278,804 as at December 31, 2019 (2018 - \$3,278,804). The book value of the properties secured by the mortgage is \$4,625,904 (2018 - \$4,643,809). 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 default, the mortgage becomes immediately due and payable and interest will begin to be charged at a rate that is the floating annual prime rate as established by the Royal Bank of Canada and is payable on the outstanding principal sum from the date of event of default to the maturity date.

The Corporation is required to maintain an interest coverage ratio of at least 1.25:1 and a total debt ratio of no greater than 3:1. The Corporation met the total debt ratio but was in default on the interest coverage ratio at December 31, 2019 and 2018. On November 5, 2019, the City of Calgary provided a waiver for the breach of the covenant and any associated enforcement to its right to remedy as at December 31, 2018. On March 19, 2020, the Corporation amended its credit agreement with the City of Calgary, to remove the interest coverage ratio, effective November 18, 2019.

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## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

#### 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 defined benefit pension plan offered to various unrelated employers throughout Alberta. The responsibility for high level strategic guidance of the pension plan is held by the LAPP Board of Directors. The pension plan is administered by the Board of Trustees who sets contribution rates and investment policy. The plan provides a defined benefit pension based on the employee's earnings and length of service.

The most recent actuarial report of the plan discloses a funding surplus. LAPP is not able to provide information which reflects AHCC's specific share of the defined benefit obligation or plan assets that would enable the Corporation to account for the plan as a defined benefit plan. Therefore, the Corporation has accounted for its participation in the plan using defined contribution accounting.

During the year ended December 31, 2019, the expense funded and recognized by the Corporation was \$79,845 (2018 - \$66,671), which has been included in salaries and benefits on the statement of operations.

#### 11. Tangible capital assets

	December 31, 2019		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Computers	68,546	54,580	13,966
Office equipment and furniture	62,132	55,431	6,701
Leasehold improvements	98,482	94,756	3,726
<b>Total tangible capital assets</b>	<b>229,160</b>	<b>204,767</b>	<b>24,393</b>
	December 31, 2018		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Computers	67,118	48,333	18,785
Office equipment and furniture	62,132	51,994	10,138
Leasehold improvements	98,482	90,933	7,549
<b>Total tangible capital assets</b>	<b>227,732</b>	<b>191,260</b>	<b>36,472</b>

## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

#### 12. Gross margin

Gross margin consists of the following:

	2019			2018
	Developed Inventory \$	Purchased Inventory \$	Agency Sales \$	Total \$
Sales	7,672,333	13,100,535	155,688	20,928,556
Cost of sales	7,553,246	12,865,817	-	20,419,063
	119,087	234,718	155,688	509,493

#### 13. 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, 2019 and December 31, 2018 one share was issued and outstanding.

#### 14. Accumulated operating surplus

Accumulated operating surplus consists of:

	<u>2019</u>	<u>2018</u>
Operating reserve	<b>\$ 1,000,000</b>	\$ 1,000,000
Unrestricted surplus	<b>10,588,070</b>	12,738,220
	<b><u>\$ 11,588,070</u></b>	<u>\$ 13,738,220</u>

During the year ended December 31, 2016, the Board of Directors of the Corporation approved a transfer of \$1,000,000 to the operating reserve. The Corporation funded 50% of the reserve in 2016, which is kept in a separate bank account. The remaining reserve will be funded through future operating surpluses.

During the year ended December 31, 2019, the Corporation accessed the operating reserve, with Board approval, and the reserve was replenished during the year upon the closing of sales from its multi-family project.

## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

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#### 15. Contractual obligations

At December 31, 2019 the Corporation has the following contractual obligations:

- a) The Corporation has entered into contracts with builders that require the Corporation to buy inventory units from the builders if the units are not sold within specific time limits.

The contractual obligations related to these contracts are as follows:

- (i) During the year ended December 31, 2018, the Corporation entered into an agreement to purchase up to 36 inventory units for \$8,665,930, less deposits of \$433,297 paid, to be purchased in two tranches, beginning in March 2019. The Corporation shall not be required to complete more than five closings per calendar month, unless the Corporation determines in its sole discretion to increase such amounts.

In the case that the Corporation has not sold a Unit by the applicable Unit Closing Date, the Corporation may choose to reimburse the builder for the carrying costs for the units, rather than closing on them as the Corporation may choose in its sole discretion.

During the year ended December 31, 2019 the Corporation purchased 10 units and elected to defer purchasing 26 units and incurred carrying costs of \$73,908 (2018 - \$nil) on the deferred units. These carrying costs are included in inventory carrying costs on the statement of operations.

Once the Corporation has achieved eighteen unconditional sales, an appraisal will be conducted on one unit type to determine if values have increased or decreased. In the case that values have increased to a point where the Unit value has increased by \$7,500 or greater (exclusive of net GST), then the Unit Purchase Price shall increase by the difference between the original agreed upon Unit price and 89% of the updated appraisal value, but in no event shall the Unit Purchase Price for unit increase by greater than 10%, for the remaining 18 units. In the case of a decrease in value, a similar adjustment will be made to ensure the Unit Purchase Price remains 89% of the market value on remaining Units.

As at December 31, 2019, the Corporation is committed to purchase 26 remaining units for \$6,538,261 less deposits of \$311,812 previously paid for a total commitment of \$6,226,449. Subsequent to year end, 8 units were purchased for \$2,009,674 less the deposits of \$96,165, previously paid.

- (ii) During the year ended December 31, 2018, the Corporation entered into an agreement to purchase up to 24 inventory units for \$6,551,738 less deposits of \$327,587. If the Corporation does not have a firm sale in place, once an occupancy permit has been issued by the City of Calgary on a substantially completed unit, the Corporation will close the purchase within 30 days thereafter up to a maximum of 2 units per month starting no sooner than May 1, 2019.

In lieu of closing on a unit, the Corporation, at its own discretion, will pay the builder's carrying costs for the said unit until a firm sale with the Corporation's purchaser occurs.

## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

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#### 15. Contractual obligations (continued)

During the year ended December 31, 2019 the Corporation purchased 5 units and elected to defer purchasing 7 units that had received occupancy permits and incurred carrying costs of \$1,046 (2018 - \$nil) on the deferred units. These carrying costs are included in inventory carrying costs on the statement of operations. 5 units have yet to receive occupancy permits.

During the year ended December 31, 2019 amendments were made to Purchase Agreements for price reductions on units committed to as well as amending to remove 7 units originally agreed to be purchased. The deposits on these 7 units were released back to the Corporation during the year (note 4).

As at December 31, 2019, the Corporation is committed to purchase 12 remaining units for \$2,952,590 less deposits of \$206,993 previously paid for a total commitment of \$2,745,597. Subsequent to year end, the Corporation closed on 6 units, satisfying \$1,380,292 of the committed amount. Of the 12 remaining units at December 31, 2019, 1 unit is under addendum to release back to the builder upon its firm sale by the builder. Once released, the deposit of \$12,750 will be released to the Corporation and the obligation to purchase will be reduced by \$218,944.

- (b) During the year ended December 31, 2019, the Corporation entered into an agreement with Enmax, a wholly owned subsidiary of the City of Calgary, for a commercial solar deferred payment purchase agreement, relating to the purchase and installation of solar panels for the multi-family dwelling currently under development (note 7). The total purchase price associated with this agreement is \$915,200 plus GST. Of this, \$288,000 is due on or before the Commercial Operation Date, which will be as each building's solar panels are installed, inspected and ready to be activated. The remaining amount is payable as a monthly amount of \$4,331.33 for the next 15 years. Upon the formation of a condominium corporation this contract will be assigned to the condominium corporation and the Corporation will be relieved of its commitment at that time. During the year ended December 31, 2019, the Corporation incurred \$72,000 of the \$288,000 initial fee which has been included in projects under development and construction (note 7), a portion of which has been transferred to inventory (note 3) upon completion of the applicable buildings.

- (c) The Corporation has a lease commitment for its office lease that ends on December 31, 2023 as follows:

2020	13,368
2021	22,280
2022	26,736
2023	<u>31,192</u>
	<u>\$ 93,576</u>

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## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

As at and for the year ended December 31, 2019  
(with comparatives as at and for the year ended December 31, 2018)

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#### 16. Financial instruments

Financial instruments consist of cash, accounts receivables, equity receivable, other deposits, accounts payable, credit facilities, mortgages payable and customer deposits. The carrying value of the cash, accounts receivable, other deposits, accounts payable, and customer deposits approximates their fair value due to the short term nature of these financial instruments. The carrying value of equity receivables approximate their fair value due to the loans being carried at their minimum repayments. The carrying value of the credit facilities approximates fair value due to the facilities bearing interest at market rates. The estimated fair value of the mortgages payable is \$3,173,645 (2018 – \$3,076,630). Calculation of the estimated fair value of the mortgages payable is based on lending rates published at December 31, 2019 for loans with comparable maturities from the City's primary lender, the Alberta Capital Finance Authority ("ACFA").

##### a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate cash flow risk to the extent that credit facilities bear interest at floating interest rates. Interest rate risk is limited for mortgages payable as interest is only payable in the event of default.

##### b) Credit risk

Credit risk is the risk that one party's financial instruments will cause a financial loss for the other party by failing to discharge an obligation. The financial instruments that potentially subject the Corporation to a significant concentration of credit risk consist primarily of cash, accounts receivable, equity receivable and other deposits.

The Corporation mitigates its exposure to credit loss by placing its cash with major financial institutions and in lawyers' trust accounts. Accounts receivable primarily relates to grant revenue that was received subsequent to year end and other deposits is a refundable deposit due from the Corporation's landlord. Credit risk associated with equity receivables are mitigated by encumbrances and security over the property to which they relate.

##### c) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation's financial liabilities consist of accounts payable, credit facilities, mortgages payable and customer deposits. As at December 31, 2019, the Corporation has available \$3,748,250 relating to its revolving credit facility, and \$nil relating to its term loan facility (Note 8). The Corporation anticipates that it will be able to repay all financial liabilities as they come due so long as it continues to receive support from its lenders (note 1).



## **Attainable Homes Calgary Corporation**

### **Notes to the Financial Statements**

As at and for the year ended December 31, 2019

(with comparatives as at and for the year ended December 31, 2018)

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#### **16. Financial instruments (continued)**

##### **d) 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. The Corporation's financial instruments are not subject to substantial market risk.

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#### **17. Comparative figures**

Certain comparative figures have been reclassified to conform with current year's presentation.

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