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# Financial statements of Calgary Municipal Land Corporation

December 31, 2020

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## Independent Auditor's Report

To the Shareholder of  
Calgary Municipal Land Corporation

### Opinion

We have audited the financial statements of Calgary Municipal Land Corporation ("CMLC"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CMLC as at December 31, 2020, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 CMLC 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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 CMLC'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 CMLC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CMLC'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 GAAS 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 GAAS, 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 CMLC'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 CMLC'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 CMLC 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.

*Deloitte LLP*

Chartered Professional Accountants  
April 23, 2021

**CALGARY MUNICIPAL LAND CORPORATION**  
**Statement of Financial Position**  
**As at December 31, 2020**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	23,023,479	30,369,893
Accounts receivable (Note 13 and Note 14a)	87,198,146	38,839,087
Mortgage receivable (Note 5)	2,357,006	2,357,006
Infrastructure development assets (Note 7)	270,883,737	205,387,314
Land inventory (Note 8)	113,217,731	114,142,280
	<u>496,680,099</u>	<u>391,095,580</u>
<b>FINANCIAL LIABILITIES</b>		
Bank indebtedness (Note 10)	34,306,257	13,619,742
Accounts payable and accrued liabilities (Note 4 and Note 14a)	21,275,432	16,654,555
Holdbacks payable	6,775,096	4,655,762
Interest payable (Note 14a)	2,698,909	2,807,014
Developer deposits (Note 6)	223,190	218,150
Long term debt (Note 11)	377,524,937	302,246,775
Share capital (Note 12)	1	1
	<u>442,803,822</u>	<u>340,201,999</u>
<b>NET FINANCIAL ASSETS</b>	<u>53,876,277</u>	<u>50,893,581</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	127,002	100,737
Tangible capital assets (Note 9)	67,072,143	70,218,150
	<u>67,199,145</u>	<u>70,318,887</u>
<b>ACCUMULATED SURPLUS</b>	<u>121,075,422</u>	<u>121,212,468</u>

**CALGARY MUNICIPAL LAND CORPORATION**  
**Statement of Operations and Accumulated Surplus**  
**For the month ended December 31, 2020**

	<b>Annual Budget (Note 17) \$</b>	<b>2020 Actual \$</b>	<b>2019 Actual \$</b>
<b>REVENUES</b>			
Community revitalization levy	31,700,000	69,834,426	52,350,828
Land sales	-	-	7,182,986
Interest	-	4,735	373
Rental	1,050,000	1,014,283	2,017,426
Project management fees	4,075,000	4,497,992	1,675,726
Miscellaneous	26,700	35,787	83,274
	<u>36,851,700</u>	<u>75,387,223</u>	<u>63,310,613</u>
<b>EXPENSES</b>			
Salaries and employee benefits	4,400,000	4,318,001	3,274,569
Cost of sales - Land Inventory	-	-	7,182,986
Land impairment (Note 8)	-	6,756,286	1,808,256
Site servicing & remediation	1,000	3,101	118,336
General administration	4,100,000	3,875,283	5,090,639
Infrastructure repairs and maintenance	1,650,000	1,654,289	2,090,767
Amortization expense (Note 9)	3,500,000	3,478,493	3,386,696
Interest - debentures	14,250,000	15,137,997	7,377,238
Loan administration fees	550,000	535,730	537,297
Financing charges	700,000	681,944	557,674
	<u>29,151,000</u>	<u>36,441,124</u>	<u>31,424,458</u>
<b>EXCESS OF REVENUES OVER EXPENSES BEFORE DONATIONS &amp; CONTRIBUTIONS</b>			
	7,700,700	38,946,099	31,886,155
Donations & Contributions	<u>535,500</u>	<u>39,083,145</u>	<u>20,130,840</u>
<b>EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES</b>			
	7,165,200	(137,046)	11,755,315
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>			
	<u>121,212,468</u>	<u>121,212,468</u>	<u>109,457,153</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>128,377,668</u>	<u>121,075,422</u>	<u>121,212,468</u>

**CALGARY MUNICIPAL LAND CORPORATION**  
**Statement of Cash Flows**  
**For the month ended December 31, 2020**

	<b>2020 Actual \$</b>	<b>2019 Actual \$</b>
<b>Operating activities</b>		
(Deficiency)/Excess of revenues over expenses	(137,046)	11,755,315
Items not affecting cash:		
Amortization expense (Note 9)	3,478,493	3,386,696
Transfer of assets from infrastructure development assets to tangible capital assets (Note 9)	(11,857)	(538,714)
	<u>3,329,590</u>	<u>14,603,297</u>
Change in non-cash working capital		
Accounts receivable (Note 13)	(48,359,059)	(27,723,905)
Mortgage receivable (Note 5)	-	(2,357,006)
Infrastructure development assets (Note 7)	(65,496,423)	(30,522,682)
Acquisition of land inventory (net)	924,549	6,008,918
Accounts payable and accrued liabilities (Note 4)	4,620,877	5,268,742
Holdbacks payable	2,119,334	3,600,186
Interest payable	(108,105)	(199,170)
Prepaid Expense	(26,265)	710
Developer deposits (Note 6)	5,040	97,065
	<u>(102,990,462)</u>	<u>(31,223,845)</u>
<b>Capital activity</b>		
Acquisition of tangible capital assets (Note 9)	<u>(320,629)</u>	<u>(590,928)</u>
<b>Financing activities</b>		
Change in bank indebtedness (Note 10)	20,686,515	668,885
Infrastructure debentures (Note 11)	29,000,000	16,500,000
Repayment of debenture principal (Note 11)	(26,269,169)	(23,492,408)
Repayment of mortgage	(7,969,349)	(337,702)
Fort Calgary (draw)/advance	(480,586)	(18,395)
Project Advance (Note 11)	2,070,612	-
City of Calgary ACT Advance	1,000,000	-
CHC EV Place Advance	-	1,200,000
BMO City of Calgary Loan (Note 11)	35,565,789	23,505,504
City of Calgary Event Centre Advance (Note 11)	-	10,000,000
CSEC Event Centre Advance (Note 11)	-	10,000,000
Event Centre City of Calgary Loan (Note 11)	4,634,796	-
Event Centre CSEC Loan (Note 11)	4,634,796	-
Calgary Parking Authority advance for the 9th Avenue Parkade (Note 11)	24,391,273	15,608,782
Innovation Centre Loan (Note 11)	8,700,000	8,550,000
	<u>95,964,677</u>	<u>62,184,666</u>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,346,414)</b>	<b>30,369,893</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>30,369,893</b></u>	<u><b>-</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u><b>23,023,479</b></u></u>	<u><u><b>30,369,893</b></u></u>
Cash and Cash equivalents consist of:		
Cash (Note 3)	<u>23,023,479</u>	<u>30,369,893</u>
	<u><u>23,023,479</u></u>	<u><u>30,369,893</u></u>

**CALGARY MUNICIPAL LAND CORPORATION**  
**Statement of Changes in Net Financial Assets**  
**For the month ended December 31, 2020**

	<b>Budget</b>	<b>2020</b>	<b>2019</b>
	<b>(Note 17)</b>	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES</b>	7,165,200	(137,046)	11,755,315
Amortization expense (Note 9)	-	3,478,493	3,386,696
Transfer of assets from infrastructure development assets to tangible capital assets (Note 9)	-	(11,857)	(538,714)
Acquisition of tangible capital assets (Note 9)	-	(320,629)	(590,928)
Use of Prepaid expenses	-	(26,265)	710
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<u>7,165,200</u>	<u>2,982,696</u>	<u>14,013,079</u>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	50,893,581	50,893,581	36,880,502
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>58,058,781</u>	<u>53,876,277</u>	<u>50,893,581</u>

**1. Description of business**

Calgary Municipal Land Corporation ("CMLC" or the "Corporation"), a wholly owned subsidiary of The City of Calgary ("The City"), was incorporated on February 22, 2007. On July 5, 2007, pursuant to the Alberta Municipal Government Act and the Control of Corporation Regulation (AR 284/2003), the Provincial Minister of Municipal Affairs approved, via Ministerial Order L: 162/07, The City as the sole shareholder pursuant to Section 250(2) (e) of the Municipal Government Act. CMLC, as a wholly owned subsidiary of The City, is not subject to income tax.

The Corporation was formed to implement public infrastructure improvements that will be the catalyst for private and public sector real estate development.

**2. Significant accounting policies**

*Basis of presentation*

The financial statements are prepared in accordance with Public Sector Accounting Standards ("PSAS") for local government organizations as established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada.

*Basis of accounting*

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

*Cash and cash equivalents*

Cash and cash equivalents consist of cash in the bank.

*Land inventory*

Land inventory is carried at the lower of cost and net realizable value. The net realizable value is the market value of land less any selling costs. CMLC capitalizes all costs associated with land held for resale, including property taxes, maintenance charges and environmental costs.

*Infrastructure development assets*

Infrastructure development assets are projects currently under construction that will result in an asset being constructed which will be turned over to The City at the final acceptance certificate phase of construction. Infrastructure development assets are recorded at cost. CMLC capitalizes direct construction, development costs and environmental costs to the project under development, which will be recovered from The City through the Community Revitalization Levy ("CRL") collected by The City on behalf of CMLC. Assets will be transferred to tangible capital assets and amortized when they have received final acceptance certificates and they have not yet been transferred to The City.

*BMO Convention Centre expansion*

On December 14, 2018, CMLC entered into an agreement with The City and Calgary Exhibition and Stampede Limited ("CESL") to expand the BMO Convention Centre which is owned and operated by CESL. The City through CMLC committed to fund two-thirds of the Eligible Costs of \$333,333,334 which will be funded via The City's Major Capital Projects Reserve. CMLC will repay The City through the Rivers District Community Revitalization Levy starting in 2028 through 2047. The remaining one-third is funded by CESL. As project costs are incurred, the full cost is recorded as project work-in-progress ("WIP").

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

The WIP balance is subsequently offset by the one-third portion funded by CESL and the two-third portion funded by The City as a donation to CESL. CMLC simultaneously records the long-term CRL receivable and CRL revenue as this amount is earned as construction occurs, resulting in a nil impact on the statement of operations and accumulated surplus. Please see Note 11 for additional details on the funding of the project.

### *Non-financial assets*

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, represents the change in net financial assets for the year.

### *Accumulated surplus or deficit*

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

### *Tangible capital assets*

Tangible capital assets are stated at cost less accumulated amortization. Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives. The amortization rates are as follows:

Office furniture and equipment	straight-line method over 5 years
Computer infrastructure	straight-line method over 3 years
Computer software	straight-line method over 3 years
Leasehold improvements	straight-line method over 5 years
Building improvements	straight-line method over 10 years
Elbow River Traverse	straight-line method over 50 years
East Village Infrastructure	straight-line method over 25 years
St Patrick's Bridge	straight-line method over 50 years

Amortization commences in the first full month of ownership. When Infrastructure Development Assets receive their final acceptance certificates, the asset is moved from work in progress to tangible capital assets.

Tangible capital assets are recorded at cost and tested for impairment whenever a change in events or circumstances indicates that the carrying value may not be recoverable. Any resulting impairment loss is recognized in the period it is determined.

### *Revenue recognition*

Community Revitalization Levy, interest, rental and project management fee revenues are recognized when persuasive evidence of an arrangement exists, the amounts are earned and measurable and collection is reasonably assured.

Land sale revenues are recognized upon title of the property passing to the purchaser and receipt of at least 15% of the total proceeds and when collection is reasonably assured.

Rental revenue includes amounts earned from tenants. CMLC recognizes rental revenue and donation expense for operating leases that are rent-free to tenants.

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

Miscellaneous revenue includes Sales Centre management fees and property management revenue on the East Village magazine. Sales Centre management fees and property management revenues are recognized when service is completed. Miscellaneous revenue also includes revenue that does not fall into the other revenue categories.

### *Site servicing*

Site servicing costs relating to land parcels that have been sold are expensed as incurred.

### *Remediation*

Remediation costs relating to land inventory are capitalized until the land inventory is sold. Remediation costs relating to land parcels that have been sold are expensed as incurred.

### *Use of estimate*

The preparation of financial statements, in conformity with PSAS, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Such estimates include the net realizable value of land inventory, estimated useful lives and potential impairment of tangible capital assets and accrued liabilities.

Actual results could differ from these estimates. These estimates and assumptions are reviewed quarterly and, as adjustments become necessary, they are reported in the statement of operations and accumulated surplus in the period in which they become known.

Management continues to assess the impact of the novel coronavirus ("COVID-19") and governments' response to it on CMLC. The amounts recorded in these financial statements are based on the latest reliable information available to management at the time the financial statements were prepared where that information reflects conditions as at the date of the financial statements.

### *Future accounting pronouncements*

CMLC is currently assessing the impact of the following new accounting standards effective for future periods.

#### *(a) Asset Retirement Obligations (effective January 1, 2022)*

Asset Retirement Obligations ("PS 3280") provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

#### *(b) Revenue (effective January 1, 2023)*

This section provides guidance on the recognition of revenue that distinguishes between revenue that arises from transactions that include performance obligations and for transitions that do not have performance obligations.

### 3. Cash & cash equivalents

	<b>2020</b>	2019
	\$	\$
Cash	<b>1,533</b>	2,171
Restricted cash	<b>23,021,946</b>	30,367,722
	<b>23,023,479</b>	30,369,893

Pursuant to the development management agreements with the CESL and Calgary Sports and Entertainment Corporation ("CSEC"), respectively, restricted cash consists of \$8,827,438 (2019 - \$10,367,760) and \$14,194,508 (2019 - \$19,999,962). These funds are restricted to the BMO Convention Centre expansion and the Event Centre project related expenses and are held separately from CMLC cash balances.

### 4. Accounts payable and accrued liabilities

	<b>2020</b>	2019
	\$	\$
Accounts payable	<b>17,322,948</b>	13,056,172
Vacation pay accrual	<b>97,029</b>	65,264
Accrued liabilities	<b>3,855,455</b>	3,533,119
	<b>21,275,432</b>	16,654,555

### 5. Mortgage receivable

	<b>2020</b>	2019
	\$	\$
Mortgage receivable	<b>2,357,006</b>	2,357,006

The mortgage receivable balance consists of \$2,357,006 (2019 - \$2,357,006) due from Copez Properties Ltd. relating to the sale of the Firefighters land parcel. Pursuant to an agreement with Copez Properties Ltd., the mortgage bears no interest and shall be paid by delivering the mortgage on the closing date which is 30 days after the date of waiver, or the satisfaction of the road closure condition. The term commences on the closing date and expires on the maturity date, which is 30 days following the earlier of the expiration of the current term of the Hostel Lease (March 31, 2025) or the termination of the Hostel lease. The land is currently occupied by The Calgary Hostel who holds a lease with Copez Properties Ltd. until March 31, 2025.

## 6. Developer deposits

	<b>2020</b>	2019
	\$	\$
Developer deposits	<b>223,190</b>	218,150

## 7. Infrastructure development assets

	<b>2020</b>	2019
	\$	\$
East Village	<b>88,726,942</b>	86,847,263
RiverWalk	<b>24,441,536</b>	24,427,222
4th Street Underpass	<b>55,276,631</b>	55,276,631
The City of Calgary recovery	<b>(28,000,000)</b>	(28,000,000)
St. Patrick's Island	<b>21,242,236</b>	21,222,080
West Village	<b>2,973,372</b>	2,919,278
Environmental	<b>5,932,073</b>	5,932,073
Victoria Park	<b>24,601,069</b>	5,924,018
9th Avenue Parkade	<b>63,374,692</b>	28,461,082
Arts Commons	<b>676,351</b>	259,344
David D. Oughton	<b>1,491,126</b>	831,770
Fifth Street Underpass	<b>878,116</b>	849,139
Fort Calgary	—	3,873
Event Centre	<b>9,269,593</b>	433,541
	<b>270,883,737</b>	205,387,314

In 2010 and 2011, CMLC recovered a total of \$28,000,000 from The City for work performed on the 4th Street Underpass as per a cost sharing agreement with The City.

## 8. Land inventory

	<b>2020</b>	2019
	\$	\$
Balance, beginning of year	<b>114,142,280</b>	120,151,197
Additions	<b>5,831,737</b>	3,300,642
Dispositions and impairment	<b>(6,756,286)</b>	(9,309,559)
Balance, end of year	<b>113,217,731</b>	114,142,280

During the year ended December 31, 2020, the impairment losses recognized as an expense were \$6,756,286 (2019 – \$1,808,246).

## 9. Tangible capital assets

General Tangible Capital Assets							Infrastructure Development Assets Transferred into Tangible Capital Assets				2020 Total	2019 Total
Estimated Useful Life	Building Improvements	Office Furniture & Equipment	Computer Infrastructure	Leasehold Improvements	Computer Software	Sub Total	Elbow River Traverse	East Village Infrastructure	St Patrick's Bridge	Sub Total	\$	\$
	10 years	5years	3years	5 years	3years		50years	25 years	50years			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
<b>Historical Cost</b>												
Beginning of year	8,009,744	365,751	470,426	2,704,077	379,333	11,929,331	3,298,392	35,517,662	30,137,845	68,953,899	80,883,230	79,753,588
Additions	-	110,804	67,207	126,314	16,304	320,629	-	11,857	-	11,857	332,486	1,129,642
	<b>8,009,744</b>	<b>476,555</b>	<b>537,633</b>	<b>2,830,391</b>	<b>395,637</b>	<b>12,249,960</b>	<b>3,298,392</b>	<b>35,529,519</b>	<b>30,137,845</b>	<b>68,965,756</b>	<b>81,215,716</b>	<b>80,883,230</b>
<b>Accumulated Amortization</b>												
Beginning of year	3,739,630	296,364	403,588	1,801,056	196,228	6,436,866	197,904	2,222,516	1,807,794	4,228,214	10,665,080	7,278,384
Amortization Expense	776,384	54,976	48,592	428,340	80,639	1,388,931	65,967	1,420,838	602,757	2,089,562	3,478,493	3,386,696
	<b>4,516,014</b>	<b>351,340</b>	<b>452,180</b>	<b>2,229,396</b>	<b>276,867</b>	<b>7,825,797</b>	<b>263,871</b>	<b>3,643,354</b>	<b>2,410,551</b>	<b>6,317,776</b>	<b>14,143,573</b>	<b>10,665,080</b>
<b>Net Book Value at December 31, 2020</b>	<b>3,493,730</b>	<b>125,215</b>	<b>85,453</b>	<b>600,995</b>	<b>118,770</b>	<b>4,424,163</b>	<b>3,034,521</b>	<b>31,886,165</b>	<b>27,727,294</b>	<b>62,647,980</b>	<b>67,072,143</b>	
<b>Net Book Value at December 31, 2019</b>	<b>4,270,114</b>	<b>69,387</b>	<b>66,838</b>	<b>903,021</b>	<b>183,105</b>	<b>5,492,465</b>	<b>3,100,488</b>	<b>33,295,146</b>	<b>28,330,051</b>	<b>64,725,685</b>		<b>70,218,150</b>

## 10. Bank indebtedness

As at December 31, 2020, the Corporation had cheques issued in excess of deposits on hand of \$1,032,019 (2019 - \$1,298,839).

The Corporation has an approved operating facility with a maximum amount of \$45,000,000 (2019 - \$26,000,000), which bears interest, payable monthly, at ATB Financials' prime interest rate plus 0.25% per annum. In July 2020, CMLC increased the maximum operating facility from \$26 million to \$45 million, which bears an interest rate of Prime +0.25%. The prime rate at December 31, 2020 was 2.45%. This facility is secured by a general security agreement pledging all assets and obligations of the Corporation. As at December 31, 2020, the operating facility had a balance owing of \$33,274,238 (2019 - \$12,320,903).

The total bank indebtedness as at December 31, 2020 was \$34,306,257 (2019 - \$13,619,742).

## 11. Long-term debt

	2020	2019
	\$	\$
ACFA Debentures	<b>197,298,925</b>	183,887,356
Calgary Parking Authority advance for the 9th Avenue Parkade (b)	<b>5,000,000</b>	5,000,000
Calgary Parking Authority loan for the 9th Avenue Parkade (b)	<b>44,089,137</b>	19,697,864
Innovation Centre loan	<b>18,059,524</b>	9,359,524
Fort Calgary Advance	<b>1,019</b>	481,605
EV Place Project Advance	<b>1,200,000</b>	1,200,000
BMO City of Calgary Loan (d)	<b>59,071,293</b>	23,505,504
City of Calgary Event Centre Advance (e)	<b>10,000,000</b>	10,000,000
Calgary Sports & Entertainment Event Centre Advance (e)	<b>10,000,000</b>	10,000,000
Project Loan - Calgary Housing Company	<b>2,070,612</b>	—
Event Centre City of Calgary Loan	<b>4,634,796</b>	—
Event Centre Calgary Sports & Entertainment Loan	<b>4,634,796</b>	—
ACT City of Calgary Loan (f)	<b>1,000,000</b>	—
	<b>357,060,102</b>	263,131,853
Add: ACFA Debentures current portion	<b>20,464,835</b>	31,145,573
Add: Mortgages current portion (a)	—	7,969,349
	<b>377,524,937</b>	302,246,775

As of December 31, 2020, the Corporation issued \$29 million (2019 - \$16.5 million) in debentures. In December 2020, CMLC refinanced \$82 million in debentures from The City through arrangements with Alberta Capital Finance Authority ("ACFA"). Total debentures outstanding including current portion at December 31, 2020 were \$217,763,760 (2019 - \$215,032,925).

## 11. Long-term debt (continued)

Debenture details are as follows:

Debenture no.	Interest rate %	Maturity date	2020 \$	2019 \$
D20080001	4.660	16-06-2028	—	13,165,953
D20080009	4.791	16-06-2028	—	12,879,035
D20080016	4.736	15-09-2028	<b>9,191,535</b>	10,116,926
D20090005	5.222	16-03-2029	<b>7,046,451</b>	7,690,307
D20090012	5.125	15-06-2029	<b>9,212,002</b>	10,000,000
D20090019	4.880	15-09-2029	<b>7,362,166</b>	8,000,000
D20100003	4.390	15-03-2025	<b>3,385,935</b>	4,052,659
D20100004	4.362	15-06-2025	<b>1,011,337</b>	13,124,337
D20100015	3.947	15-09-2025	—	11,353,373
D20110006	3.569	15-06-2026	<b>6,502,099</b>	7,457,840
D20110010	3.013	15-09-2026	<b>4,544,143</b>	5,225,348
D20120002	2.769	15-03-2027	<b>3,874,125</b>	4,411,045
D20120008	2.599	17-09-2027	<b>5,149,259</b>	5,811,795
D20130003	2.229	15-03-2023	<b>1,898,041</b>	2,628,292
D20140006	2.512	16-06-2024	—	7,967,467
D20140012	2.404	15-09-2024	—	5,298,353
D20140015	2.314	15-12-2024	<b>2,871,296</b>	3,469,988
D20150008	1.835	15-09-2025	<b>2,614,085</b>	3,108,858
D20160007	1.782	15-09-2026	—	12,212,762
D20160009	2.299	15-12-2026	<b>533,348</b>	8,481,055
D20170001	1.660	15-03-2022	<b>1,543,629</b>	2,551,654
D20170002	2.277	15-03-2027	<b>2,701,754</b>	3,083,237
D20170008	2.671	15-09-2027	<b>6,182,311</b>	6,975,446
D20170009	2.270	15-09-2022	<b>827,182</b>	1,226,978
D20170013	2.532	15-12-2027	<b>5,411,500</b>	6,058,915
D20180003	2.716	15-03-2026	—	12,428,406
D20180009	2.685	15-06-2026	<b>5,387,438</b>	6,204,471
D20180010	2.870	17-09-2026	<b>3,083,797</b>	3,548,425
D20190027	2.420	15-09-2044	<b>9,704,754</b>	10,000,000
D20190035	2.772	15-12-2039	<b>6,500,000</b>	6,500,000
D20200009	2.049	15-03-2040	<b>6,000,000</b>	—
D20200014	2.448	15-06-2040	<b>7,000,000</b>	—
D20200027	2.120	15-09-2040	<b>8,500,000</b>	—
D20200036	2.084	31-12-2040	<b>82,225,573</b>	—
D20200037	2.315	31-12-2040	<b>7,500,000</b>	—
			<b>217,763,760</b>	<b>215,032,925</b>

- a) As of December 31, 2020, all mortgages payable to the City of Calgary have been paid in full (2019 - \$7,969,349) These mortgages relate to developable land parcels held by the City that were transferred to CMLC. The mortgages were due on the earlier of December 31, 2019 or when CMLC closes a sale of the related land to a third party. The mortgages are secured by land and are non-interest bearing. As of December 31, 2019, the land remained unsold and CMLC repaid the City of Calgary on January 2, 2020.

## **11. Long-term debt (continued)**

- b) CMLC and The City signed a Credit Agreement on November 2, 2018 to fund the construction of the 9<sup>th</sup> Avenue Parkade on behalf of Calgary Parking Authority. The Credit Agreement is for a maximum loan amount of \$57,000,000 which is interest free, secured by a mortgage on title. As of December 31, 2020, an amount of \$5,000,000 of The City's contribution to the 9<sup>th</sup> Avenue Parkade project budget was received on behalf of Calgary Parking Authority as an advance to CMLC to fund working capital for the 9<sup>th</sup> Avenue Parkade project. The City has also funded \$44,089,137 (\$19,697,864 in 2019) to the 9<sup>th</sup> Avenue Parkade project on behalf of Calgary Parking Authority for the period ended December 31, 2020.
- c) The New Central Library project was substantially completed in September 2018 and officially opened to the public on November 1, 2018. As of December 31, 2020, CMLC has transferred \$231,935,590 of the New Central Library asset to The City. Of this amount, \$175,000,000 was removed from the New Central Library loan, which represented The City's full contribution to the New Central Library project. As of December 31, 2020, CMLC also contributed \$56,935,590 of the CMLC committed amount of \$70,000,000. Of this amount, \$394,661 was recognized as a donation expense in 2020.
- d) CMLC and CESL have entered into a Development Management and Funding Agreement on December 14, 2018 to commence and complete the development of the BMO Convention Centre expansion ("BMO expansion"). The anticipated project cost is \$500,000,000. CMLC's role is to manage and administer the construction and completion of the project. The Government of Alberta and The City have agreed to allocate up to \$333,333,334 (2/3 of project costs) of future CRL Revenue towards the eligible project costs (approximately \$166,666,667 each) and CESL will provide \$166,666,666 (1/3 of project costs) representing the Government of Canada Grant.

As of December 31, 2020, The City and the Government of Alberta have funded \$59,071,293 to the BMO expansion. CMLC has transferred \$55,994,542 from the BMO Asset WIP account to donation expense. CMLC also recognised \$55,994,542 as CRL Receivables from The City of Calgary and CRL Revenue. Please refer to Note 13.

- e) CMLC, The City, CSEC and CSE Real Estate Corporation have entered into a Development Management Agreement on December 5, 2019 to commence and complete the development of the new Calgary Event Centre. The anticipated project cost is \$550,000,000. CMLC's role is to manage and administer the construction and completion of the project. The project will be fully funded by The City and CSEC with both respective parties paying 50% of the total project costs. The \$20,000,000 initial contribution of working capital consists of \$10,000,000 deposited each by both The City and CSEC in December 2019. These funds are recorded in the Event Centre bank account, as shown in Note 3, which had a balance of \$14,194,508 at December 31, 2020 (2019 – \$19,999,962). CMLC recognised \$9,269,592 as CRL Receivables, 50% from The City of Calgary (\$4,634,796) and 50% from CSEC (\$4,634,796).
- f) CMLC, The City, and Arts Commons entered into a Development Management and Funding Agreement on September 30, 2020 to commence and complete Phase 1 of the Arts Commons Transformation (ACT) project. Council approved an increase of \$22,500,000 to a previously approved \$2,500,000 Municipal Sustainability Initiative (MSI) together totaling \$25,000,000 toward the design and construction of the Road House. The estimated cost for the detailed design phase of the ACT Project is \$14,200,000. CMLC has been appointed as the Development Manager for the ACT Project. On December 18, 2020 The City transferred the initial contribution payment of Working Capital of \$1,000,000.

## 11. Long-term debt (continued)

g) Long-term debt is repayable as follows:

	\$
2021	90,884,107
2022	16,957,392
2023	16,127,968
2024	36,241,179
2025 & thereafter	217,314,291
	<u>377,524,937</u>

## 12. Share capital

*Authorized, unlimited number*

Common shares

CMLC has one common share issued and outstanding for \$1 with The City.

## 13. Accounts receivable

	2020	2019
	\$	\$
The City of Calgary	<b>13,040,811</b>	8,364,204
Canada Revenue Agency	<b>1,418,711</b>	1,659,792
Calgary Parking Authority	<b>6,664,506</b>	3,515,789
Calgary Housing Company	<b>1,160,904</b>	—
Calgary Exhibition & Stampede	<b>3,305,116</b>	2,003,506
Calgary Sports & Entertainment Corporation	<b>4,634,796</b>	—
Zinc Ventures	<b>20,326</b>	3,270,326
Long-term CRL Receivable (Note 2 & Note 11)	<b>55,994,542</b>	18,540,631
Other receivables	<b>958,434</b>	1,484,839
	<b><u>87,198,146</u></b>	<u>38,839,087</u>

#### **14. Transactions with The City and City entities**

The arm's length transactions have been recorded at the exchange amount, which represents the amount of consideration established and agreed to by the related parties. The non-arm's length transactions have been recorded at the carrying amount.

##### **a) Transactions with The City and City entities**

Total purchases from The City and City entities were as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
ENMAX Corporation	<b>1,800,520</b>	882,379
The City of Calgary	<b>2,707,077</b>	6,385,249
Calgary Public Library	<b>221,900</b>	233,780
Calgary Arts Development	<b>2,500</b>	2,500
Calgary Police Services	<b>40</b>	—
Calgary Housing Company	<b>—</b>	1,200,000
Calgary Economic Development	<b>10,000</b>	51,450
	<b>4,742,037</b>	8,755,358

Purchases from ENMAX Corporation ("ENMAX") are for infrastructure and energy related goods and services. Purchases from The City are for infrastructure upgrade work, application fees and payment of property taxes to The City.

During the period, principal in the amount of \$108,494,743, including \$82,225,573 in refinanced debentures (2019 - \$23,492,408), interest in the amount of \$7,114,031 (2019 - \$7,485,909), and administrative fees of \$525,603 (2019 - \$537,297) relating to ACFA debentures was paid to The City. Debt refinancing fees and interest in the amount of \$6,806,382 (2019 - nil) was paid to The City on Dec 15, 2020.

Accounts payable and accrued liabilities with The City and City entities were as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
ENMAX	<b>1,911,212</b>	1,130,574
The City of Calgary	<b>750,675</b>	533,264
	<b>2,661,887</b>	1,663,838

Amounts payable to ENMAX are for infrastructure and energy related goods and services. Amounts payable to The City also include interest of \$2,698,909 (2019 - \$2,807,014) infrastructure upgrade work, application fees and property taxes.

**a) Transactions with The City and City entities (continued)**

Revenue from The City and City entities was as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Community Revitalization Levy	<b>32,380,516</b>	33,810,197
Calgary Parking Authority	<b>1,016,325</b>	1,419,472
Calgary Housing Company	<b>98,601</b>	—
The City of Calgary	<b>1,045,000</b>	2,920
	<b>34,540,442</b>	35,232,589

Revenues from Calgary Parking Authority are related to project management fees relating to the 9<sup>th</sup> Avenue Parkade and profits from CMLC land that are managed by Calgary Parking Authority as parking lots. Revenues relating to The City are for project management fees for the Event Centre and ACT projects.

Receivables from The City and City entities were as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
The City of Calgary	<b>13,040,181</b>	8,364,204
Calgary Parking Authority	<b>6,664,506</b>	3,515,789
Calgary Housing Company	<b>1,160,904</b>	—
Calgary Economic Development	<b>630</b>	630
	<b>20,866,221</b>	11,880,623

Receivables from The City are related to the expected fourth quarter revenue of 2020 CRL.

**b) Transactions with related parties other than The City and City entities**

As of December 31, 2020, there were no significant transactions and no non-arm's length transactions between CMLC and key management personnel, their close family members, and other entities that they or their close family members have influence over the decision-making process.

**15. Letters of credit**

In the normal course of operations, letters of credit are issued to The City to facilitate the issuance of development permits necessary to undertake infrastructure work. The Corporation issued letters of credit in the amount of \$1,786,500 which is secured under a general security agreement with ATB Financial as at December 31, 2020 (2019 - \$1,668,500).

## 16. Financial instruments

The fair values of cash and cash equivalents, accounts receivable, mortgages receivable, accounts payable and accrued liabilities, holdbacks payable and interest payable approximate their carrying values due to their short-term maturity. The estimated fair value of the debentures is \$216,229,827 (2019 - \$198,087,554). The estimated fair value of the mortgage receivable is \$2,414,752 (2019 - \$2,573,556). The estimated fair value is based on current lending rates with similar maturities obtainable from AFCA.

### *Credit risk*

The Corporation's credit risk is primarily attributable to its accounts receivables. The Corporation's credit risk is limited as 67% (2019 - 59%) of the Corporation's accounts receivable balance at December 31, 2020 is due from The City, with the remaining balance comprising Goods and Services Tax receivable, rent, advance agreements and chargebacks.

### *Interest rate risk*

Interest rate risk reflects the sensitivity of CMLC's financial results and condition to movements in interest rates. Interest rate risk is limited as 52% (2019 - 60%) of the Corporation's long term debt balance at December 31, 2020 is held with The City, through ACFA with rates that are locked in for longer terms. Interest rate risk for mortgages is managed through the staggering of mortgage renewals.

### *Liquidity risk*

Liquidity risk is the risk that the Corporation will be unable to meet its contractual cash outflow obligations as they come due. CMLC mitigates this risk by monitoring cash activities and expected cash outflows through extensive budgeting and maintaining availability of cash through cash on hand and available credit.

## 17. 2020 budget

The budget amounts presented throughout these financial statements are based on the operating and capital budgets approved by the Board of Directors of CMLC and The City of Calgary Council.

## 18. Contractual obligations and commitments

Contractual obligations represent a legal obligation of CMLC to others and will become liabilities in the future when the terms of the contract are met. Estimated payment requirements for each of the next five years and thereafter are as follows:

	<b>Obligations Under Operating Leases and Contracts</b>	<b>Obligations Under Capital Projects</b>	<b>Total</b>
	\$	\$	\$
2021	236,381	64,939,808	65,176,189
2022	-	130,937,830	130,937,830
2023	-	122,311,964	122,311,964
2024	-	29,408,032	29,408,032
2025 & thereafter	-	-	-
	<u>236,381</u>	<u>347,597,632</u>	<u>347,834,013</u>

## **18. Contractual obligations and commitments (continued)**

Major commitments included in the above figures are commitments for the development management and funding of the BMO Convention Centre and 17<sup>th</sup> Avenue Station and Expansion.

Capital commitments of \$107,061,194 are not reflected in the financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2020, on major projects and estimated obligations under other various agreements.

## **19. Contractual rights**

Contractual rights are rights of CMLC to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met. Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	<b>Rights Under Operating Leases and Contracts</b>	<b>Rights Under Project Management</b>	<b>Rights under Future CRL Revenue</b>	<b>Total</b>
	\$	\$	\$	\$
2021	509,172	4,214,514	52,546,071	57,269,757
2022	387,152	3,643,804	96,582,871	100,613,827
2023	330,485	3,123,804	97,858,033	101,312,322
2024	307,152	2,228,595	30,351,816	32,887,563
2025 & thereafter	153,576	-	-	153,576
	<u>1,687,537</u>	<u>13,210,717</u>	<u>277,338,791</u>	<u>292,237,045</u>