ATTAINABLE HOMES
CALGARY CORPORATION

Financial Statements

For the year ended December 31, 2015

Collins Barrow

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Independent Auditors' Report

To the Shareholder
Attainable Homes Calgary Corporation

We have audited the accompanying financial statements of Attainable Homes Calgary Corporation, which comprise the statement of financial position as at December 31, 2015, and the statements of operations and accumulated operating surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Attainable Homes Calgary Corporation as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of Attainable Homes Calgary Corporation for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on March 16, 2015.

Collins Barrow Calgary LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada
March 9, 2016

Attainable Homes Calgary Corporation
Statement of Financial Position

As at December 31,		2015		2014
FINANCIAL ASSETS				
Cash and cash equivalents	$	**958,343**	$	2,419,614
Accounts receivable		**103,518**		5,541
Inventory		**2,383,870**		974,651
Deposits on units (Note 4)		**2,694,795**		2,088,267
Other deposits (Note 5)		**97,500**		62,002
Equity receivables (Note 6)		**6,591,986**		4,759,787
Land and site development costs (Note 7)		**7,214,104**		11,858,922
Equity investment in Co-ownership (Note 8)		**-**		1,538,916
Vendor Take-Back mortgages (Note 9)		**3,450,000**		1,130,000
		23,494,116		24,837,700
LIABILITIES				
Accounts payable and accrued liabilities		**525,226**		503,215
Credit facilities (Note 10)		**-**		3,450,000
Mortgages payable (Note 11)		**3,993,913**		4,215,786
Customer deposits		**62,855**		164,000
		4,581,994		8,333,001
NET FINANCIAL ASSETS		**18,912,122**		16,504,699
NON-FINANCIAL ASSETS				
Tangible capital assets (Note 13)		**24,285**		51,594
Prepaid expenses		**3,445**		1,748
Total non-financial assets		**27,730**		53,342
ACCUMULATED OPERATING SURPLUS	$	**18,939,852**	$	16,558,041

Obligations (Note 15)
Subsequent events (Notes 10 and 15)
See accompanying notes to the financial statements.

On behalf of the Board

Director

Director

Attainable Homes Calgary Corporation
Statements of Operations and Accumulated Operating Surplus

Year ended December 31	2015	2014
REVENUE		
Sales	$ 55,646,676	$ 38,280,176
Sales – land (Note 7)	3,360,000	-
Gain on sale of land	-	5,658
Realized gain on equity receivables (Note 6)	34,465	184,902
Equity income (Note 8)	618,031	1,991,745
Other revenue	63,101	95,841
	59,722,273	40,558,322
EXPENSES		
Cost of goods sold	50,468,614	35,839,826
Cost of goods sold – land	4,265,893	-
Salaries and benefits (Note 12)	1,081,595	1,213,198
Professional fees	435,302	306,204
Marketing and sales	358,462	271,037
Occupancy expenses	121,067	121,218
General and administrative	106,545	95,899
Interest expense	74,933	97,467
Amortization of tangible capital assets (Note 13)	32,533	14,872
Impairment of land (Note 7)	96,150	-
Unrealized loss on equity receivables (Note 6)	299,368	919,122
	57,340,462	38,878,843
OPERATING SURPLUS	$ 2,381,811	$ 1,679,479

Accumulated operating surplus, beginning of year	$ 16,558,041	$ 14,878,562
Operating surplus	2,381,811	1,679,479
Accumulated operating surplus, end of year	$ 18,939,852	$ 16,558,041

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation
Statement of Changes in Net Financial Assets

Year ended December 31	2015	2014
OPERATING SURPLUS	**$ 2,381,811**	$ 1,679,479
TANGIBLE CAPITAL ASSETS		
Purchases of tangible capital assets	**(5,224)**	(15,245)
Amortization of tangible capital assets	**32,533**	14,872
	2,409,120	1,679,106
OTHERS		
(Increase) decrease in prepaid expenses	**(1,697)**	795
INCREASE IN NET FINANCIAL ASSETS	**2,407,423**	1,679,901
NET FINANCIAL ASSETS, BEGINNING BALANCE	**16,504,699**	14,824,798
NET FINANCIAL ASSETS, ENDING BALANCE	**$ 18,912,122**	$ 16,504,699

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation
Statement of Cash Flows

Year ended December 31	2015	2014
CASH PROVIDED BY (USED IN):		
OPERATING		
Operating surplus	$ 2,381,811	$ 1,679,479
Non-cash and non-operating items:		
Amortization of tangible capital assets	32,533	14,872
Loss (gain) on sale of land	-	(5,658)
Equity income	(618,031)	(1,991,745)
Vendor Take-Back mortgages	(3,360,000)	-
Realized gain on equity receivables	(34,465)	(184,902)
Unrealized loss on equity receivables	299,368	919,122
Impairment of land	96,150	-
	(1,202,634)	431,168
Non-cash working capital		
Accounts receivable	(80,673)	280,691
Prepaid expenses and deposits	(643,723)	(1,170,110)
Inventory	(1,409,219)	17,408
Equity receivables	(2,097,102)	(1,520,132)
Land and site development costs	4,548,668	(1,522,950)
Vendor Take-Back mortgages	1,040,000	-
Accounts payable and accrued liabilities	22,011	104,478
Deferred revenue	-	(6,005)
Customer deposits	(101,145)	121,900
	1,278,817	(3,694,720)
Cash provided by / (used in) operating activities	76,183	(3,263,552)
CAPITAL TRANSACTIONS		
Purchases of tangible capital assets	(5,224)	(12,415)
Cash used in capital activities	(5,224)	(12,415)
FINANCING TRANSACTIONS		
Proceeds from credit facilities	19,112,779	1,000,000
Repayment from credit facilities	(22,562,779)	-
Receipt of Vendor Take-Back mortgage	-	3,440,643
Receipt of Co-Ownership distribution	2,139,643	450,000
Mortgage repayment	(221,873)	(1,879,008)
Cash provided by / (used in) financing activities	(1,532,230)	3,011,635
Decrease in cash and cash equivalents, during the year	(1,461,271)	(264,332)
Cash and cash equivalents, beginning of year	2,419,614	2,683,946
Cash and cash equivalents, end of year	$ 958,343	$ 2,419,614

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2015

1. Nature of the business

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

2. Significant accounting policies

a. Basis of presentation

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

b. Basis of accounting

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

c. Revenue recognition

Revenue from the sale of housing units 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 sponsorship revenue, application fees, customer deposits retained from rescinded purchase transactions and rental income earned from the rental of completed inventory units. In prior years, other revenues have include commissions paid to the Corporation for sales that occurred within the Co-Ownership.

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

d. Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and bankers' acceptances with original maturities of 90 days or less at the date of acquisition and are recorded at cost. The Corporation had no cash equivalents at December 31, 2015 or 2014.

e. Inventory

The cost of inventory consists of purchase costs 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 necessary to sell the units.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2015

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

f. 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.

g. Non-financial assets

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

h. Tangible capital assets

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

	Years
Computers	5
Office equipment and furniture	5
Leasehold improvements	3

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

i. Accumulated operating surplus

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

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2015

2. Significant accounting policies (continued)

j. Impairment of assets

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

k. Financial instruments and fair values

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

l. 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 and site development costs, valuation of allowance for doubtful equity receivables and the period used to discount equity receivables. Actual results could differ from those estimates.

m. Co-Ownership

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

3. Adoption of PSA 3260, Liability for Contaminated Sites

Effective January 1, 2015, the Corporation adopted the new Public Sector Accounting Board accounting standard, Liability for Contaminated Sites (PS3260). PS3260 specifies that a liability for a contaminated site must be recognized when, as at the financial reporting date, all of the following criteria are met for a site or a portion of a site which is no longer in productive use:

i. There is evidence that contamination exceeds an environmental standard as verified by a qualified assessment,

ii. The Corporation is either directly responsible or has accepted responsibility for the contamination, and

iii. It is expected that future economic benefits will be given up and a reasonable estimate for the amount can be made.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2015

The liability is determined on a site-by-site basis, and is adjusted to reflect the passage of time, new obligations, and changes to managements intent and actual remediation costs incurred. The adoption of PSA 3260 had no impact to the Corporation for the year ended December 31, 2015.

4. Deposits on units

As at December 31, 2015, the Corporation has paid $2,694,795 (2014 - $2,088,267) in non-refundable deposits for 165 (2014 – 178) housing units.

5. Other deposits

During the year ended December 31, 2015, the Corporation signed a memorandum of understanding with the City of Calgary to negotiate on the purchase of a parcel of land. The $97,500 deposit outstanding at December 31, 2015 is refundable and does not represent a commitment to purchase the property.

At December 31, 2014, other deposits included a landscaping deposit of $62,002 which was refunded to the Corporation during the year ended December 31, 2015, upon completion of the work to the satisfaction of the City of Calgary.

6. Equity receivables

Equity receivables are comprised of amounts that customers owe the Corporation for the purchase of housing units through participation in the Corporation's housing programs. The amount booked is approximately 5% of the value of each unit and is stipulated in each Equity Loan contract signed by the Corporation and the customer.

At such time that the customer sells or refinances their unit they are obligated to pay the greater of a 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.

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

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

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2015

The equity receivable was discounted to incorporate the time value of money. This was calculated based on the estimated interest rate applicable to similar financing arrangements of 1.95% Due to the decline in market conditions, an allowance for doubtful equity receivables of $495,510 was recorded at December 31, 2015 (2014 - $479,870).

Equity receivables consist of the following:

	December 31, 2015	December 31, 2014
Equity receivables – gross	**7,834,608**	5,828,909
Allowance	**(495,510)**	(479,870)
Discount	**(747,112)**	(589,252)
Equity receivables – net	**6,591,986**	4,759,787

During the year ended December 31, 2015, $576,098 (2014 - $237,834) of equity receivables were settled for $484,694 (2014 - $422,736), offset by the reversal of allowances previously recorded of $125,869 (2014 - $nil) resulting in a realized gain of $34,465 (2014 - $184,902).

7. Land and site development costs

During the year ended December 31, 2015, the Corporation sold two parcels of land to homebuilders for proceeds of $3,360,000, secured by vendor take-back mortgages (Note 9), resulting in a net loss of $905,893.

During the year ended December 31, 2015, the Corporation recorded an impairment of $96,150, on two parcels of land, based on an appraisal that was completed during the year.

During the year ended December 31, 2014, there were no changes in the Corporation's land inventory.

8. Equity Investment in Co-Ownership

During the year ended December 31, 2013, the Corporation entered into a Co-Ownership agreement (the "Agreement") with a homebuilder (the "Co-Owner Partner") for the purpose of developing, constructing and selling units (the "Project") to qualified middle income Calgarians. In order to complete this Project, the Co-Owners created a separate legal entity whereby the Co-Owners have equal shares in that entity, with the rights and obligations of each Co-Owner being several and proportionate to their respective Co-Owner interest.

As part of this Agreement, the Corporation transferred to the Co-Ownership the legal title to a parcel of land owned by the Corporation as payment of its contribution. As security for the contribution provided, the Corporation was granted on behalf of the Co-Ownership, a non interest bearing secured Vendor Take-Back ("VTB") mortgage in the amount of $3,440,643. Contribution from the Co-Owner Partner amounted to $3,440,643 which was contributed over the duration of the Project.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2015

During the year ended December 31, 2014, the Project was substantially completed and the VTB was repaid.

The Equity Investment in Co-Ownership is as follows:

Balance, December 31, 2013	$	**3,437,814**
Repayment of Vendor Take-Back Mortgage		(3,440,643)
Equity income		1,991,745
Co-Ownership distribution		(450,000)
Balance, December 31, 2014		**1,538,916**
Equity income		618,031
Co-Ownership distribution		(2,156,947)
Balance, December 31, 2015	$	**-**

The following is the Corporation's 50% share of the components of the financial statements of the Co-Ownership:

		December 31, 2015		December 31, 2014
Total assets	$	**17,304**	$	1,529,453
Total liabilities		**-**		(462,342)
Net Assets	$	**17,304**	$	1,067,111
Revenue	$	**1,613,556**	$	10,106,014
Expenses		**(995,525)**		(8,114,269)
Excess of revenue over expenses	$	**618,031**	$	1,991,745

The $17,304 has not yet been distributed by the Co-Ownership and has been included in accounts receivable at December 31, 2015.

The Co-Ownership is a for-profit organization, and as such follows the recommendations of CICA Handbook Part II – Accounting Standards for Private Enterprises. As such, there are differences between the accounting policies of the Corporation under PSAB for Government NPOs and the Co-Ownership under Part II of the CICA Handbook. Under the modified equity approach, the Corporation makes no adjustment to the amounts disclosed or recognized in its financial statements for these differences.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2015

9. Vendor Take-Back mortgages

	December 31 2015	December 31 2014
A vendor-take-back mortgage, bearing no interest, payable the earlier of six months after substantial completion of the project, or June 30, 2016	**$1,320,000**	-
A mortgage, bearing no interest, payable the earlier of six months after substantial completion of the project, or December 31, 2016	**$1,000,000**	-
A vendor-take-back mortgage, bearing no interest, payable the earlier of six months after Substantial Completion of the Project, or November 1, 2016	**$1,130,000**	$1,130,000
TOTAL	**$3,450,000**	$1,130,000

During the year ended December 31, 2015 a vendor take-back mortgage was issued for $2,040,000 in conjunction with the sale of land (Note 7). The $2,040,000 was collected during the year in accordance with the terms of the agreement.

10. Credit facilities

a) On February 24, 2015, the Corporation entered into an agreement for a $10 million dollar revolving credit facility with a financial institution, that is due February 28, 2017 with an option to extend for an additional 364 days, at the discretion of the lender. Interest is payable monthly on an annual rate of prime less 0.75%. As at December 31, 2015 the Corporation had $nil outstanding on the credit facility. Borrowings under this credit facility are secured by a general security agreement covering all the Corporation's real and personal property. The credit facility included financial covenants relating to the interest coverage ratio and the total debt ratio. The Corporation met both of the financial covenants as at December 31, 2015. Subsequent to December 31, 2015 the Corporation drew $2,300,000 and repaid $250,000 on this credit facility.

b) On June 27, 2011, the Corporation and the City entered into an agreement for a $10 million dollar non-revolving reducing credit facility of which, $3,450,000 was outstanding at December 31, 2014. The Corporation was not entitled to obtain a re-advance or re-borrowing of any portion of the credit facility. Interest was payable on advances semi-annually at a rate of 3.14%, which was the 10 year fixed Alberta Capital Finance Authority ("ACFA") rate as of July 1, 2011. Borrowings under this credit facility were secured by a general security agreement covering all the Corporation's real and personal property. During the year ended December 31, 2015 the $3,450,000 plus applicable interest was repaid and the facility was closed.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2015

11. Mortgages payable

On November 29, 2013, a parcel of land with a deemed principal sum of $178,438 was transferred by the City to the Corporation. This transaction was the final transfer of land in relation to an agreement dated August 30, 2012, whereby the Corporation and the City entered into a Mortgage and a purchase and sale agreement, and the Corporation received the deemed principal sum of $950,658 by advancement of the transfer of four parcels of land (the "Lands") by the City to the Corporation. The site development loan of $323,150 advanced by the City to the Corporation on December 29, 2011 has been included in this Mortgage agreement. The maturity date of the Mortgage is the earlier of (i) September 27, 2022 (ii) in the event the Corporation sells any parcel of land, then a portion of the principal sum allocated to the sold parcel as outlined in the Mortgage agreement or (iii) in the event the Corporation sells the Lands in a single transaction, then on the date the Corporation receives the net proceeds of the sale. The balance owing on the mortgage is $684,609 at December 31, 2015 (2014 - $684,609). There is no interest on the principal sum provided the Corporation is not in default of any obligations under the Mortgage. Should the Corporation be in an event of default, the interest rate on the Mortgage is the floating annual prime rate as established by the Royal Bank of Canada and is payable on the outstanding principle sum from the date of event of default to the maturity date. The Corporation was not in default at December 31, 2015 or 2014.

The Corporation and the City had also entered into a Mortgage and a purchase and sale agreement on April 7, 2011, whereby the Corporation received the deemed principal sum of $5,188,312 by advancement of the transfer of four parcels of land (the "Lands") by the City to the Corporation. The maturity date of the Mortgage is the earlier of (i) August 3, 2021, (ii) in the event the Corporation sells any parcel of land, then a portion of the principal sum allocated to the sold parcel as outlined in the Mortgage agreement or (iii) in the event the Corporation sells the Lands in a single transaction, then on the date the Corporation receives the net proceeds of the sale. The balance owing on the mortgage is $3,309,304 as at December 31, 2015 (2014 - $3,531,177). There is no interest on the principal sum provided the Corporation is not in default of any obligations under the Mortgage. Should the Corporation be in an event of default, the interest rate on the Mortgage is the floating annual prime rate as established by the Royal Bank of Canada and is payable on the outstanding principle sum from the date of event of default to the maturity date. The Corporation was not in default at December 31, 2015 or 2014.

During the year ended December 31, 2015, the Corporation used the proceeds from the sale of one piece of land to repay the mortgage with the City of $221,873. During the prior year, the Corporation repaid the mortgage payable of $1,879,008 with proceeds received from the VTB in the Equity Investment in Co-Ownership (Note 8).

12. Pension plan

The Corporation provides a contributory pension plan for qualifying employees through participation in the Local Authorities Pension Plan ("LAPP"). LAPP is a multi-employer plan offered to various unrelated employers throughout Alberta. The responsibility for strategic direction and plan asset management is held by the LAPP board of directors, composed of management and labour representatives. The plan provides a defined benefit pension based on the employee's earnings and length of service. The Corporation has accounted for its

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2015

participation in the plan using defined contribution accounting, as there is insufficient information to apply defined benefit accounting.

During the year ended December 31, 2015, the expense funded and recognized by the Corporation was $36,554 (2014 - $52,565), which has been included in salaries and benefits.

13. Tangible capital costs

			December 31, 2015
	Cost $	Accumulated Amortization $	**Net Book Value** **$**
Computers	43,349	31,287	**12,062**
Office equipment and furniture	48,950	43,273	**5,677**
Leasehold improvements	84,795	78,249	**6,546**
Total tangible capital assets	177,094	152,809	**24,285**

			December 31, 2014
	Cost $	Accumulated Amortization $	Net Book Value $
Computers	42,512	21,516	20,996
Office equipment and furniture	46,680	31,598	15,082
Leasehold improvements	82,678	67,162	15,516
Total tangible capital assets	171,870	120,276	51,594

14. 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, 2015 and December 31, 2014 one share was issued.

15. Obligations

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.

At December 31, 2015 the contractual obligations related to these contracts are as follows:

a. Up to $2,890,725 for up to 15 inventory units that have not been sold as of Feb 1, 2016 or 120 days after sales commence, whichever is later.

   Subsequent to December 31, 2015, the 15 inventory units above were purchased by the Corporation for $2,890,725.

b. Up to $4,145,176 for up to 20 inventory units that have not been sold as of May 1, 2016 or 120 days after closing the initial 15 units, whichever is later.

c. Up to $4,034,533 for up to 24 inventory units that have not been sold as of August 1, 2016 or 120 days after closing the second group of 20 units, whichever is later.

d. Up to $1,757,414 for up to 7 inventory units that have not been sold as of September 30, 2016 or a minimum of six months after notice is received from builder.

e. Up to $1,757,414 for up to 7 inventory units that have not been sold as of October 31, 2016 or a minimum of six months after notice is received from builder.

f. Up to $3,210,600 for up to 12 inventory units that have not been sold within six months after substantial completion of the project.

g. Up to $2,880,390 for up to 12 inventory units that have not been sold within sixty days after substantial completion of the project. Up to $1,476,418 for up to 6 additional units at the discretion of the builder who must provide notice between June 2, 2015 and six months after substantial completion of the project.

h. Up to $1,309,214 for up to 5 inventory units that have not been sold within six months after the delivery of the marketing requirements by the builder, or thirty days from the date the Occupancy Permit is issued.

i. Up to $1,876,718 for up to 10 inventory units that have not been sold as of March 31, 2017 or a minimum of six months after notice is received from builder.

16. Financial instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, equity receivables, other deposits, vendor take-back mortgages, accounts payable and accrued liabilities, credit facilities, mortgages payable and customer deposits. The carrying value of the cash and cash equivalents, accounts receivable, other deposits, accounts payable, accrued liabilities and customer deposits approximates their fair value due to the short term nature of these financial instruments. The carrying value of equity receivables approximates their estimated fair value given they have been discounted at the market rate of interest. The estimated fair value of the mortgages payable is $3,556,808 (2014 – $3,643,163). Calculation of the estimated fair value of the mortgages payable is based on lending rates obtainable at December 31 for loans with comparable maturities from the City's primary lender, the ACFA.

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 to a 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 receivables, other deposits and vendor take-back mortgages.

The Corporation mitigates its exposure to credit loss by placing its cash and cash equivalents with major financial institutions. Accounts receivable is amounts that are held in trust with lawyers and due from reputable home builders. Other deposits are refundable deposits with the City of Calgary. Credit risk associated with equity receivables and vendor take-back mortgages is 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 and accrued liabilities, credit facilities, mortgages payable and customer deposits. As at December 31, 2015, the Corporation has available $10,000,000 relating to its revolving credit facility and anticipates that it will be able to repay all financial liabilities as they come due.

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 is exposed to market risk due to fluctuations in the Calgary area housing market affecting future land and housing inventory sale prices.

17. Comparative amounts

Certain comparative amounts have been reclassified to conform to the current year's presentation.