

## **Financial Statements**

# **Calhome Properties Ltd.**

**Operating as 'Calgary Housing Company'**

**December 31, 2014**

Deloitte LLP  
700, 850 - 2 Street SW  
Calgary, AB T2P 0R8  
Canada

Tel: (403) 267-1700  
Fax: (403) 213-5791  
[www.deloitte.ca](http://www.deloitte.ca)

## **INDEPENDENT AUDITOR'S REPORT**

To the Directors of  
Calhome Properties Ltd.

We have audited the accompanying financial statements of Calhome Properties Ltd., which comprise the statement of financial position as at December 31, 2014, and the statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Calhome Properties Ltd. as at December 31, 2014, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Deloitte LLP*

Chartered Accountants  
March 13, 2015  
Calgary, Canada

## STATEMENT OF FINANCIAL POSITION

(Expressed in Thousand of Dollars)

As at December 31

	<u>2014</u>	<u>2013</u>
<b>FINANCIAL ASSETS</b>		
Cash (Note 3)	25,314	25,661
Receivables		
Rent and others	674	1,495
Senior governments	2,415	2,435
Asset Held for Sale	940	1,125
	<u>29,343</u>	<u>30,716</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	5,375	6,261
Unearned revenue	2,121	2,011
Payable to senior government	2,069	3,931
Rent supplement advance (Note 4)	4,255	4,255
Tenants' security deposits	1,092	1,160
Mortgages payable (Note 5)	20,647	26,027
Employee benefit obligation (Note 6)	1,567	1,520
	<u>37,126</u>	<u>45,165</u>
<b>NET DEBT</b>	7,783	14,449
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 7)	92,222	93,298
Prepaid expenses	108	118
	<u>92,330</u>	<u>93,416</u>
<b>ACCUMULATED SURPLUS (Note 10)</b>	<u>84,547</u>	<u>78,967</u>

See accompanying notes

On behalf of the Board



**Chairman**



**President**

## STATEMENT OF OPERATIONS

(Expressed in Thousand of Dollars)

For the year ended December 31

	Budget	2014	2013
<b>REVENUE</b>			
Rent Revenue	48,825	<b>49,978</b>	47,462
Government transfers			
Shared cost agreements	15,766	<b>15,933</b>	14,106
Conditional grants and restricted funds	600	<b>637</b>	663
Debt interest rebates	185	<b>180</b>	201
Rent supplement	24,170	<b>19,591</b>	21,133
Interest income	323	<b>381</b>	352
Insurance recoveries (Note 11)	-	<b>1,299</b>	1,516
Miscellaneous	492	<b>982</b>	871
	<u>90,361</u>	<u><b>88,981</b></u>	<u>86,304</u>
<b>EXPENDITURES</b>			
Administration	11,454	<b>11,035</b>	9,704
Amortization of tangible capital assets	2,860	<b>2,873</b>	2,779
Debt servicing	738	<b>727</b>	884
Maintenance	15,337	<b>17,042</b>	13,929
Property operations	12,898	<b>12,383</b>	12,039
Rent supplement payments	24,170	<b>19,591</b>	21,133
Taxes and leases	7,080	<b>6,574</b>	6,620
Utilities	9,510	<b>9,916</b>	8,953
Insurance expenses (Note 11)	-	<b>240</b>	2,635
	<u>84,047</u>	<u><b>80,381</b></u>	<u>78,676</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS</b>	<b>6,314</b>	<b>8,600</b>	<b>7,628</b>
<b>OTHER ITEMS</b>			
Return to The City of Calgary	(2,387)	<b>(2,235)</b>	(2,113)
Replacement reserve contribution (Note 10)	(1,523)	<b>(1,038)</b>	85
Contribution to City Owned Community Housing	(600)	<b>(600)</b>	-
Insurance proceeds for capital	-	-	230
Revaluation adjustment of Asset Held for Sale	-	<b>(185)</b>	-
Gain from sale	-	-	11
	<u>(4,510)</u>	<u><b>(4,058)</b></u>	<u>(1,787)</u>
<b>SURPLUS</b>	<b>1,804</b>	<b>4,542</b>	<b>5,841</b>

## STATEMENT OF CASH FLOWS

(Expressed in Thousands of Dollars)

For the year ended December 31

	<u>2014</u>	<u>2013</u>
<b>NET INFLOW/(OUTFLOW) OF CASH RELATED TO FOLLOWING ACTIVITIES:</b>		
<b>OPERATING ACTIVITIES</b>		
Surplus	4,542	5,841
Non-cash items:		
Amortization of tangible capital assets	2,873	2,779
Gain on sale of assets held for sale	-	(11)
Revaluation adjustment	185	-
Transfer to reserves	1,038	67
Change in non-cash working capital ( <i>Note 13</i> )	(1,808)	56
	<u>6,830</u>	<u>8,732</u>
<b>CAPITAL ACTIVITIES</b>		
Addition of tangible capital assets	(1,797)	(1,432)
	<u>(1,797)</u>	<u>(1,432)</u>
<b>FINANCING AND INVESTING ACTIVITIES</b>		
Repayment of long term debt	(5,380)	(5,235)
Asset held for sale	-	11
	<u>(5,380)</u>	<u>(5,224)</u>
<b>NET (DECREASE)/INCREASE IN CASH DURING THE YEAR</b>	(347)	2,076
<b>CASH, BEGINNING OF YEAR</b>	25,661	23,585
<b>CASH, END OF YEAR</b>	<u>25,314</u>	<u>25,661</u>

## STATEMENT OF CHANGE IN NET DEBT

(Expressed in Thousand of Dollars)

For the year ended December 31

	Budget	2014	2013
<b>ANNUAL SURPLUS</b>	1,804	<b>4,542</b>	5,841
<b>TANGIBLE CAPITAL ASSETS</b>			
Additions	(8,165)	<b>(1,797)</b>	(1,432)
Contribution to/(from) replacement reserves	1,523	<b>1,038</b>	-
Transfer to operating	-	-	246
Amortization of tangible capital assets	2,860	<b>2,873</b>	2,779
	<u>(3,782)</u>	<u><b>2,114</b></u>	<u>1,593</u>
<b>OTHERS</b>			
Decrease/(Increase) in prepaid expenses	-	<b>10</b>	(8)
Contribution from reserves		-	(178)
	<u>-</u>	<u><b>10</b></u>	<u><b>(186)</b></u>
<b>DECREASE/(INCREASE) IN NET DEBT</b>	<u>(1,978)</u>	<u><b>6,666</b></u>	<u>7,248</u>
<b>NET DEBT, BEGINNING BALANCE</b>	14,449	<b>14,449</b>	21,697
<b>NET DEBT, ENDING BALANCE</b>	<u>16,427</u>	<u><b>7,783</b></u>	<u>14,449</u>

## **NOTES TO FINANCIAL STATEMENTS**

(Expressed in thousands of Dollars)

For the year ended December 31, 2014

### **1. NATURE OF THE BUSINESS**

Calhome Properties Ltd. [the "Company"], a private not-for-profit corporation, is wholly-owned by The City of Calgary [the "City"] and was incorporated June 16, 1978 under the Business Corporations Act of The Province of Alberta. As at April 1, 2001, the Company assumed the trade name of Calgary Housing Company ["CHC"].

The Company delivers safe and affordable housing solutions to Calgarians under agreements with the City, The Province of Alberta [the "Province"], and Canada Mortgage and Housing Corporation ["CMHC"] which provide subsidies for certain projects. Since its inception, the Company has assumed ownership and/or management of Portfolios under different agreements. The following is a brief description of the portfolios:

#### **CHC Federal Fixed Subsidy Portfolio**

This portfolio consists of 1,021 units owned and managed by the Company. CMHC subsidizes the interest payments on the mortgages of these properties so that the effective rate of interest to the Company is 2% per annum. The Company has received authorization to maintain a replacement reserve for this portfolio. In the event the maximum federal assistance received (debt interest rebate) exceeds the actual required, the excess federal assistance received shall be refundable to CMHC. The net surplus and/or losses are the responsibility of the Company.

#### **CHC Provincial Fixed Subsidy Portfolio**

This portfolio consists of 98 units owned and managed by the Company. The portfolio operates on the same basis as the Federal Fixed Subsidy Portfolio, with the exception that the subsidy is received from the Province. The Company has received authorization to maintain a replacement reserve for this portfolio. The Company is responsible for net operating results.

#### **CHC Public Non-Profit Portfolio**

This portfolio consists of 210 units owned by the Company. By agreement, the Federal and Provincial governments share the operating deficits at the ratio of 70% and 30% respectively with the exception of the Lincoln Park Fanning Centre which receives a subsidy in an amount required to reduce debt financing costs to 2% per annum.



## **NOTES TO FINANCIAL STATEMENTS**

(Expressed in thousands of Dollars)

For the year ended December 31, 2014

### **Calhome Financed Portfolio**

This portfolio is comprised of 443 units owned by the Company with no direct subsidy from any governmental agency.

### **City Owned Community Housing Portfolio**

This portfolio consists of 1,048 units owned by the City and managed by the Company. Any operating surpluses or losses are refunded or subsidized 50%, 40%, and 10% respectively by federal, provincial, and municipal governments under joint agreement.

### **City of Calgary Partnership Portfolio**

This portfolio consists of 1085 units owned by The City of Calgary. The Company manages a variety of affordable housing units on behalf of the City. The Company is authorized to maintain a replacement reserve for this portfolio. This portfolio receives no subsidy and the net operating results are the responsibility of the City.

### **Corporate Properties Residential Units Portfolio**

This portfolio consists of 424 units owned by The City of Calgary. The Company manages these housing units on behalf of the City. This portfolio receives no subsidy and the net operating results are the responsibility of the City.

### **Provincial Owned Community Housing Portfolio**

This portfolio consists of 2,817 units owned by the Province of Alberta. The Company assumed the management of this portfolio owned by the Province in 2001. The Province will fund or be refunded any losses or surpluses on a fiscal year basis.

### **Rent Supplement Portfolio**

This portfolio is a provincial government program administered by the Company for which the Company receives reimbursement of administration fees incurred and rental subsidies paid to the private landlords and tenants.

## **NOTES TO FINANCIAL STATEMENTS**

(Expressed in thousands of Dollars)

For the year ended December 31, 2014

### **Great Plains Project**

In October 2013, the Company undertook the management of Great Plains project on behalf of the Province. This project is a temporary housing solution for flood victims. The Company is responsible for leasing and rent collection. The Province will cover administration costs associated with the management of this site. The project was completed in 2014.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Company are prepared in accordance with public sector accounting standards ("PSAS") for local government organizations as established by the Public Sector Accounting Board of the Chartered Professional Accountants 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 upon receipt of goods and services and/or the legal obligation to pay.

### **Revenue**

Rents charged to tenants are based on rent-to-income policies or affordable rates outlined in the agreements with The Province, CMHC and the City and are recorded on an accrual basis. Rental revenue includes rents and other sundry revenues.

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

**NOTES TO FINANCIAL STATEMENTS**  
(Expressed in thousands of Dollars)

For the year ended December 31, 2014

**Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They generally have useful lives extending beyond the current year. Non-financial assets include tangible capital assets and prepaid expenses. 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 Net Debt for the year.

**[i] 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:

	<b>YEARS</b>
Land	-
Buildings	50-75
Building Betterments	5-75
Leasehold Improvement	5-10
Computer System	5
Furniture	20
Vehicles	10

Assets under construction are not amortized until the asset is available for productive use.

## **NOTES TO FINANCIAL STATEMENTS**

(Expressed in thousands of Dollars)

For the year ended December 31, 2014

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **[ii] Contributions of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

Revenue producing properties are reviewed periodically for any indication of impairment. If it is determined that impairment exists, the carrying value of the revenue producing properties will be reduced to their estimated fair value as determined by third party appraisals.

#### **Asset Held for Sale**

Asset held for sale is comprised of land held with the intention to sell to fund future affordable housing initiatives. The asset held for sale is the land donated by The City of Calgary located at 515 4A St NE which is referred to as Independence House.

#### **Replacement Reserve**

The Replacement Reserve is funded by a charge against operating surplus. The Province, the City and CMHC determine an annual provision for the Replacement Reserve for certain projects. Disposition of the reserve, other than for replacement costs, is subject to the approval or direction of the Province, the City and CMHC.

Disposition of funds in the reserve related to the Public Non-Profit Portfolio requires approval from the Province regardless of the nature or the amount.

#### **General Administration**

General administration expenditures are allocated to projects based on the ratio of the number of units in each project to the total number of units managed by the Company.

**NOTES TO FINANCIAL STATEMENTS**  
(Expressed in thousands of Dollars)

For the year ended December 31, 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The financial statements are prepared in accordance with PSAS, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the year. Significant estimates include the provision for asset impairment, useful lives of tangible capital assets, accrued liabilities and allowance for doubtful accounts. Actual results could differ from those estimates.

**Goods and Services Tax**

The Company has been granted the status of a municipality for purposes of the Goods and Services Tax and receives the municipal rebate on all the Goods and Services Tax paid.

**3. CASH**

The Company holds bank accounts in conjunction with the City, so as to maximize interest earned on the cash balances. The cash held at the City is available for use in the Company's operations. Included in cash is as follows:

	2014 \$	2013 \$
Restricted		
Tenants' security deposits	1,092	1,160
Rent supplement fund advance	4,255	4,255
Replacement reserve fund	7,099	6,061
Operating reserve fund	536	536
Deferred capital contribution	9,614	9,614
	<u>22,596</u>	<u>21,626</u>
Unrestricted	<u>2,718</u>	<u>4,035</u>
	<u>25,314</u>	<u>25,661</u>

**NOTES TO FINANCIAL STATEMENTS**  
(Expressed in thousands of Dollars)

For the year ended December 31, 2014

**4. RENT SUPPLEMENT ADVANCE**

The Rent Supplement Portfolio operates on the basis of the Province reimbursing the Company for the rental subsidies paid to private landlords and tenants, and an administration fee. All payments to landlords, tenants and administration costs are reported as expenses with an equal amount reported as rent supplement revenue. Any unused government transfers are reported as advance funding.

**5. MORTGAGES PAYABLE**

Mortgages in the amount of \$9,401 [2013 - \$13,191] are for the fixed subsidy projects. These mortgages have interest rates, before the senior government interest subsidy, varying from 1.46% to 6.45% per annum [2013 – from 1.46% to 6.45% per annum]. The effective interest rates to the Company after subsidy, average 2% per annum over the mortgage term to renewal.

The remaining mortgages are in the amount of \$11,246 [2013 - \$12,836]. These mortgages have interest rates varying from 1.64% to 4.52% per annum [2013 – from 1.64% to 4.52% per annum].

The mortgages payable schedule is as follows:

Year	\$
2015	5,439
2016	4,103
2017	3,050
2018	1,703
2019	1,170
Thereafter	5,182
	<u>20,647</u>

Related land and buildings have been pledged as collateral for mortgages payable. The net book value of land and buildings pledged amount to \$86,567 [2013 - \$87,918] as at December 31, 2014.

**NOTES TO FINANCIAL STATEMENTS**  
(Expressed in thousands of Dollars)

For the year ended December 31, 2014

**6. EMPLOYEE BENEFIT OBLIGATION**

The Company does not pay honoraria to its Board members.

The Company is administered by employees of the City. The employee benefit obligation represents the vacation and overtime that the employees are deferring to future years.

The City employees are members of the Local Authorities Pension Plan ("LAPP"). LAPP is a multi-employer benefit plan. This plan is governed by the Public Sector Pension Plans Act. The LAPP reported a deficiency (extrapolation results of the actuarial valuation) of \$4.86 billion in 2013 [2012 - \$4.98 billion].

The LAPP requires members and employers make contributions to the pension plan. Yearly maximum pensionable earning ("YMPE") contribution rates are shared between members, and the rates for the current period are as follows:

	<u>2014</u>
Members' Rate up to YMPE	10.39%
Members' Rate over YMPE	14.84%
Employers' Rate up to YMPE	11.39%
Employers' Rate over YMPE	15.84%

The current service contributions by the Company, as reflected in 'Administration' and 'Property Operations' to the LAPP, were \$1,565 [2013 \$1,419]. The current service contributions by the employees allocated to the Company to the LAPP were \$1,550 [2013 \$1,405].

## NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of Dollars)

For the year ended December 31, 2014

### 7. TANGIBLE CAPITAL ASSETS

	2014			2013		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$	\$	\$	\$
Land	27,755	-	27,755	27,755	-	27,755
Building	85,521	(45,802)	39,719	85,521	(44,144)	41,377
Building Betterment	27,271	(3,975)	23,296	26,089	(3,095)	22,994
	<u>140,547</u>	<u>(49,777)</u>	<u>90,770</u>	<u>139,365</u>	<u>(47,239)</u>	<u>92,126</u>
Systems	2,252	(1,945)	307	2,121	(1,702)	419
Leasehold Improvements	815	(110)	705	319	(25)	294
Vehicles	128	(82)	46	87	(80)	7
Furniture	259	(259)	-	259	(259)	-
Work in Progress	394	-	394	452	-	452
	<u>3,848</u>	<u>(2,396)</u>	<u>1,452</u>	<u>3,238</u>	<u>(2,066)</u>	<u>1,172</u>
<b>Total Tangible Capital Asset</b>	<b>144,395</b>	<b>(52,173)</b>	<b>92,222</b>	<b>142,603</b>	<b>(49,305)</b>	<b>93,298</b>

### 8. SHARE CAPITAL

The Company is authorized to issue 100 shares with no par value for a maximum consideration of one dollar per share. The shares can be issued only to the City, its agent or successor and are not otherwise transferable. As at December 31, 2014 and 2013, one share was issued.



## **NOTES TO FINANCIAL STATEMENTS**

(Expressed in thousands of Dollars)

For the year ended December 31, 2014

### **9. FINANCIAL INSTRUMENTS**

Financial instruments consist of cash, rent and other receivables, senior government receivables, accounts payable and accrued liabilities, unearned revenue, payable to senior government, rent supplement advance, tenants' security deposits, mortgages payable and employee benefit obligation. The carrying value of these financial instruments approximates their fair value. The estimated fair value approximates the amount for which the financial instruments could currently be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. Certain financial instruments lack an available trading market, therefore fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instrument.

#### **Interest Rate Risk**

Interest rate risk reflects the sensitivity of the Company's financial results and condition to movements in interest rates. Interest rate risk is limited for fixed subsidy projects as the effective interest rate after application of senior government interest subsidies is 2% per annum. Interest rate risk for the remaining mortgages is managed through the staggering of mortgage renewals and locked in for longer terms through Alberta Capital Finance Authority.

#### **Credit Risk**

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and receivables. Cash is placed with major financial institutions in conjunction with the City. Concentrations of credit risk with respect to receivables are limited due to the large number of tenants and their dispersion across geographic areas within the City of Calgary.

## NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of Dollars)

For the year ended December 31, 2014

### 10. ACCUMULATED SURPLUS

Accumulated surplus consist of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2014	2013
	\$	\$
Deficit	(4,277)	(4,515)
Replacement reserve	7,099	6,061
Operating reserve	536	536
Deferred capital contributions	9,614	9,614
Equity in tangible capital assets	71,575	67,271
	<u>84,547</u>	<u>78,967</u>

Deferred capital contributions represent capital contributions from third parties for a specified purpose which will be recognized as revenue or an increase in equity in tangible capital asset when the related expenditures are incurred.

Replacement reserve by portfolio is as follows.

	Portfolios			
	Calhome Owned	Public-Non Profit	City Partnership	Total
	\$	\$	\$	\$
Balance - January 01, 2014	-	634	5,427	6,061
Replacement reserve contribution	980	58	-	1,038
Balance - December 31, 2014	<u>980</u>	<u>692</u>	<u>5,427</u>	<u>7,099</u>

### 11. INSURANCE RECOVERIES AND INSURANCE EXPENSES

Insurance recoveries represent insurance claims received during the year. Insurance recoveries are recognized as revenue when received. Insurance expenses are the costs occurred to pay third party contractors during the year. The insurance claims will be made by the Company to recover the insurance expenses but may be processed during the current year or in later years.

## **NOTES TO FINANCIAL STATEMENTS**

(Expressed in thousands of Dollars)

For the year ended December 31, 2014

### **12. LEASE COMMITMENTS**

The Company has commitments for its leased premises and land leases. The approximate future minimum annual lease payments for the next five years are as follows:

Year	Land \$	Office Space \$	Total \$
2015	98	367	465
2016	98	367	465
2017	98	367	465
2018	98	384	482
2019	98	352	450
	490	1,837	2,327

### **13. CHANGES IN NON-CASH WORKING CAPITAL**

	2014 \$	2013 \$
Receivables	841	(1,143)
Accounts payable and accrued liabilities	(886)	(98)
Unearned revenue	110	(309)
Payable to senior government	(1,862)	1,755
Rent supplement advance	-	(325)
Tenants' security deposits	(68)	26
Employee benefit obligation	47	158
Prepaid expenses	10	(8)
(Decrease)/Increase in non-cash working capital	(1,808)	56

### **14. RECLASSIFICATION OF PRIOR YEAR BALANCES**

Certain comparative figures have been reclassified to adjust the presentation and classification of balances in the prior year's financial statement presentation to conform to current year presentation.

### **15. APPROVAL OF FINANCIAL STATEMENTS**

The Board and Management have approved these financial statements.