

Attachment #5

Financial Statements

**Attainable Homes Calgary Corporation**

For the year ended December 31, 2014



## Independent Auditor's Report

To the Directors of  
**Attainable Homes Calgary Corporation**

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We have audited the accompanying financial statements of **Attainable Homes Calgary Corporation** which comprise the statement of financial position as at December 31, 2014, 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.

### **Auditor's responsibility**

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

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

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



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Attainable Homes Calgary Corporation** as at December 31, 2014 and the results of its operation and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Calgary, Alberta  
March 16, 2015

*Grant Thornton LLP*  
Chartered Accountants

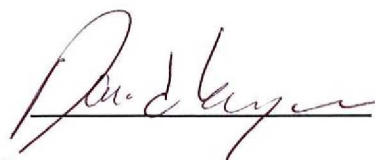
## Attainable Homes Calgary Corporation Statement of Financial Position

As at	December 31, 2014	December 31, 2013 (restated) Note 2
<b>Financial assets</b>		
Cash and cash equivalents	\$ 2,419,614	\$ 2,683,946
Accounts receivable	5,541	286,232
Inventory	974,651	992,059
Site development costs	1,710,415	187,465
Deposits on units (Note 4)	2,150,269	979,365
Equity receivables (Note 5)	4,759,787	3,973,875
Land (Note 6)	10,148,507	10,148,507
Equity investment in Co-Ownership (Note 7)	1,538,916	3,437,814
Vendor Take-Back mortgage (Note 8)	1,130,000	1,130,000
<b>Total financial assets</b>	<b>24,837,700</b>	<b>23,819,263</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	503,215	398,737
Credit facility (Note 9)	3,450,000	2,450,000
Mortgages payable (Note 10)	4,215,786	6,094,794
Deferred sponsorship revenue	-	6,005
Customer deposits	164,000	42,100
Deferred gain on transfer of land (Note 7)	-	2,829
<b>Total liabilities</b>	<b>8,333,001</b>	<b>8,994,465</b>
<b>Net financial assets</b>	<b>16,504,699</b>	<b>14,824,798</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 12)	51,594	51,221
Prepaid expenses	1,748	2,543
<b>Total non-financial assets</b>	<b>53,342</b>	<b>53,764</b>
<b>Accumulated operating surplus</b>	<b>\$ 16,558,041</b>	<b>\$ 14,878,562</b>

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

## Attainable Homes Calgary Corporation

### Statements of Operations and Accumulated Operating Surplus

Year Ended December 31	2014	2013 (restated) Note 2
<b>Revenues</b>		
Sales	\$ 38,280,176	\$ 36,871,808
Sales – land (Note 6)	-	7,664,984
Gain on sale of land (Note 7)	5,658	-
Interest revenue	6,331	30,878
Equity income (Note 7)	1,991,745	-
Sponsorship revenue	6,005	3,995
Contribution income (Note 6)	-	1,961,437
Other revenue	83,505	36,045
	<u>40,373,420</u>	<u>46,569,147</u>
<b>Expenditures</b>		
Cost of goods sold	35,839,826	33,596,674
Cost of goods sold – land	-	7,602,864
Marketing and sales	271,037	314,234
Professional fees	306,204	187,836
Occupancy expenses	121,218	121,334
Salaries and benefits	1,213,198	985,594
Amortization of tangible capital assets (Note 12)	14,872	36,825
General and administrative	95,899	95,854
Interest expense	97,467	53,861
Loss on equity receivables (Note 5)	734,220	158,006
	<u>734,220</u>	<u>158,006</u>
<b>Operating surplus</b>	<b>\$ 1,679,479</b>	<b>\$ 3,416,065</b>
Accumulated operating surplus, beginning of year, as previously reported	\$ 7,711,858	\$ 2,551,926
Correction of prior periods (Note 2)	<u>7,166,704</u>	<u>8,910,571</u>
Accumulated operating surplus, beginning of year, as restated	14,878,562	11,462,497
<b>Operating surplus</b>	<u>1,679,479</u>	<u>3,416,065</u>
Accumulated operating surplus, end of year	<b>\$ 16,558,041</b>	<b>\$ 14,878,562</b>

See accompanying notes to the financial statements.

## Attainable Homes Calgary Corporation Statement of Changes in Net Financial Assets

Year Ended December 31	2014	2013 (restated) Note 2
<b>Operating surplus</b>	<b>\$ 1,679,479</b>	<b>\$ 3,416,065</b>
<b>Tangible capital assets</b>		
Purchases of tangible capital assets	(15,245)	(32,586)
Amortization of tangible capital assets	<u>14,872</u>	<u>36,825</u>
	<b>1,679,107</b>	<b>3,420,304</b>
<b>Others</b>		
Decrease (increase) in prepaid expenses	<u>794</u>	<u>(18)</u>
<b>Increase in net financial assets</b>	<b>1,679,901</b>	<b>3,420,286</b>
<b>Net financial assets, beginning balance</b>	<b><u>14,824,798</u></b>	<b><u>11,404,512</u></b>
<b>Net financial assets, ending balance</b>	<b><u>\$ 16,504,699</u></b>	<b><u>\$ 14,824,798</u></b>

See accompanying notes to the financial statements.



## Attainable Homes Calgary Corporation

### Statement of Cash Flows

Year Ended December 31

2014

2013  
(restated)  
Note 2

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

##### Operating

Operating surplus	\$ 1,679,479	\$ 3,416,065
Non-cash and non-operating items:		
Amortization of tangible capital assets	14,872	36,825
Gain on sale of land	(5,658)	(62,120)
Equity income	(1,991,745)	-
Contribution income	-	(1,961,437)
Loss on equity receivables	734,220	158,006
	<u>431,168</u>	<u>1,587,339</u>

##### Non-cash working capital

Accounts receivable	280,691	(270,579)
Prepays and deposits	(1,170,110)	453,874
Inventory	17,408	(992,059)
Equity receivables	(1,520,132)	(1,809,913)
Accounts payable and accrued liabilities	104,478	299,546
Deferred sponsorship revenue	(6,005)	(4,678)
Customer deposits	121,900	(77,900)
Change in non-cash working capital	<u>(2,171,770)</u>	<u>(2,401,709)</u>

Cash used in operating activities (1,740,602) (814,370)

##### Capital transactions

Proceeds from sale of land	-	3,038,000
Additions to site development costs	(1,522,950)	(655,877)
Purchases of tangible capital assets	(12,415)	(32,586)
Cash used in capital activities	<u>(1,535,365)</u>	<u>2,349,537</u>

##### Financing transactions

Proceeds from credit facility	1,000,000	1,250,000
Receipt of Vendor Take-Back mortgage	3,440,643	-
Receipt of Co-Ownership distribution	450,000	-
Mortgage repayment	(1,879,008)	(367,326)
Cash provided by financing activities	<u>3,011,635</u>	<u>882,674</u>

Net (decrease) increase in cash and cash equivalents during the year

	(264,332)	2,417,841
Cash and cash equivalents, beginning of year	2,683,946	266,105
Cash and cash equivalents, end of year	<u>\$ 2,419,614</u>	<u>\$ 2,683,946</u>

See accompanying notes to the financial statements.

## Attainable Homes Calgary Corporation Notes to the Financial Statements

For the year ended December 31, 2014

### 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. Restatement of previously issued financial statements

The Corporation has restated its statement of financial position as of December 31, 2013, and its statements of operations and accumulated operating surplus, statement of changes in net financial assets and statement of cash flows for the year ended December 31, 2013.

The Corporation had accounted for its acquisition of land from the City at the carrying amount. During the first quarter of 2015, the Corporation's senior management became aware that the manner in which the Corporation was accounting for the land acquisitions was incorrect. This information led to a detailed review and it was determined that the accounting practice was not compliant 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"), which states the acquisition of the land is to be accounted for at the fair value with any difference between the consideration paid for the capital asset and fair value reported as a contribution.

These restatement amounts relate solely to the accounting for the land asset and any resulting gains on disposition by increasing the land asset value and have no effect on the Corporation's cash balances.

The following table presents the impact of the restatement adjustments on the Corporation's land continuity by year:

	As reported	Adjusted	As restated
December 31, 2010	\$ Nil	\$ Nil	\$ Nil
Acquisitions	5,188,312	3,543,477	8,731,789
December 31, 2011	5,188,312	3,543,477	8,731,789
Acquisitions	772,220	5,367,094	6,139,314
December 31, 2012	\$ 5,960,532	\$ 8,910,571	\$ 14,871,103
Acquisitions	178,438	1,961,437	2,139,875
Disposals	(367,326)	(2,692,505)	(3,059,831)
Transfer to Co-Ownership	(1,879,008)	(880,333)	(2,759,341)
Transfer for vendor take-back mortgage	(30,500)	(1,012,798)	(1,043,298)
December 31, 2013	\$ 3,862,136	\$ 6,286,371	\$ 10,148,507



# Attainable Homes Calgary Corporation

## Notes to the Financial Statements

For the year ended December 31, 2014

### 2. Restatement of previously issued financial statements (continued)

The restatement of the Corporation's statement of operations has an impact on amounts originally recorded in the December 31, 2013 financial statements for the disposition of certain pieces of land. The following tables present the impact of the restatement adjustments on each of the statements:

	As reported	Adjusted	As restated
<b>Statement of Financial Position</b>			
Financial assets			
Land	\$ 3,862,136	\$ 6,286,371	\$ 10,148,507
Equity investment in Co-Ownership	2,997,647	440,167	3,437,814
Total financial assets	17,092,726	6,726,537	23,819,263
Liabilities			
Deferred gain on transfer of land	442,996	(440,167)	2,829
Total liabilities	9,434,632	(440,167)	8,994,465
Net financial assets	7,658,094	7,166,704	14,824,798
Accumulated operating surplus	7,711,858	7,166,704	14,878,562
<b>Statements of Operations and Accumulated Operating Surplus</b>			
Revenue			
Contribution income	-	1,961,437	1,961,437
Sales – land (Note 6)	6,784,651	880,333	7,664,984
Expenditures			
Cost of goods sold – land	3,017,227	4,585,637	7,602,864
Operating surplus	5,159,932	(1,743,867)	3,416,065
Accumulated operating surplus at beginning of year	2,551,926	8,910,571	11,462,497
Accumulated operating surplus at end of year	7,711,858	7,166,704	14,878,562
<b>Statement of Changes in Net Financial Assets</b>			
Operating surplus	5,159,932	(1,743,867)	3,416,065
Increase in net financial assets	5,164,153	(1,743,867)	3,420,286
Net financial assets, beginning balance	2,493,941	8,910,571	11,404,512
Net financial assets, ending balance	7,658,094	7,166,704	14,824,798
<b>Statement of Cash Flows</b>			
Operating surplus	5,159,932	(1,743,867)	3,416,065
Income from sale of land	(3,767,424)	3,705,304	(62,120)
Non-cash items			
Revenue contribution on land transfer	-	(1,961,437)	(1,961,437)

## **Attainable Homes Calgary Corporation**

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

For the year ended December 31, 2014

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#### **3. Significant accounting policies**

##### **a. Basis of presentation**

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

##### **b. Basis of accounting**

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

##### **c. Revenue recognition**

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

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

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

Interest revenue is recognized when earned.

## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

For the year ended December 31, 2014

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

##### d. Cash and cash equivalents

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

##### e. Inventory

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

##### f. Site development costs and land

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

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

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

##### g. Non-financial assets

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



## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

For the year ended December 31, 2014

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

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

##### 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.

##### 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. The write-down would be 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.

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

##### 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 the provision for asset impairment, useful lives of tangible capital assets and accrued liabilities. 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.

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## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

For the year ended December 31, 2014

#### 4. Deposit on units

The Corporation has paid \$2,150,269 in refundable deposits for 178 housing units. In 2013, the Corporation paid \$961,865 in refundable deposits for 91 housing units and refundable deposits of \$17,500 for 1 housing unit.

#### 5. Equity receivables

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

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

During the year, the Corporation recorded a gain on equity receivables in the amount of \$184,902 (December 31, 2013 - loss \$8,006). Due to decline in market conditions, an allowance of \$479,870 was recorded for the year ended December 31, 2014 (December 31, 2013: \$150,000)

	<u>2014</u>	<u>2013</u>
Equity receivables – gross	<b>5,828,909</b>	4,123,875
Allowance	<b>(479,870)</b>	(150,000)
Discount	<b>(589,252)</b>	-
Equity receivables – net	<b><u>4,759,787</u></b>	<u>3,973,875</u>

The amortized cost of equity receivables is based on the estimated interest rate applicable to similar financing arrangements of 2.1%. The amortized cost and cost as at December 31, 2014 are estimated as follows:

	<u>Amortized Cost</u>	<u>Cost</u>
Equity receivable	<b><u>\$ 4,759,787</u></b>	<b><u>\$ 5,349,039</u></b>



## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

For the year ended December 31, 2014

#### 6. Land

During the year ended December 31, 2014, there were no changes in the Corporation's land inventory. On November 29, 2013, one parcel of land (the "Land") was transferred from the City to the Corporation. The Land was recorded at a fair value of \$2,139,875 with the related mortgage of \$178,438 payable to the city. The difference of \$1,961,437 (Note 2) is recorded as contribution income on the Statement of Operations and Accumulated Operating Surplus.

During the year ended December 31, 2013, the Corporation sold one parcel of land with a net gain on disposal of \$40,000. The Corporation also transferred two parcels of land to homebuilders (See Note 7 and Note 8).

#### 7. 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 will amount to \$3,440,643 to be contributed from time to time during the duration of the Project, and is secured against the title of the Lands by the Co-Owner Partner mortgage, immediately following the VTB Mortgage.

The VTB mortgage amount is based on the total current appraised value of the land, the Corporation's costs and legal fees relating to the Project. However, as this land was transferred to a related party, the full amount of the VTB could not be recognized in the books of the Corporation for accounting purposes. Accordingly, during the year ended December 31, 2013, the VTB was decreased by the share of the Corporation's gain of \$2,829 (Note 2) on the transfer of land with the difference recorded as a deferred gain on transfer of land, which is recognizable as revenue upon the sale of the units in the Project.

During the year ended December 31, 2014, the Project was substantially completed and accordingly, the deferred gain on transfer of land was recognized as part of the entire gain on sale of land of \$5,658.

The Equity Investment in Co-Ownership is as follows:

<b>Balance, December 31, 2012</b>	\$	-
Vendor Take-Back Mortgage		3,440,643
Deferred gain on transfer of land		(2,829)
<b>Balance, December 31, 2013</b>		<b>3,437,814</b>
Repayment of Vendor Take-Back Mortgage		(3,440,643)
Equity income		1,991,745
Co-Ownership distribution		(450,000)
<b>Balance, December 31, 2014</b>	\$	<b>\$1,538,916</b>

## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

For the year ended December 31, 2014

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

	<b>December 31, 2014</b>
Total assets	\$ 1,529,453
Total liabilities	(462,342)
Net Assets	<u>\$ 1,067,111</u>
Revenue	\$ 10,106,014
Expenses	<u>8,114,268</u>
Excess of revenue over expenses for the year	<u>\$ 1,991,745</u>

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.

#### 8. Vendor take-back mortgage

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

#### 9. Credit facility

On June 27, 2011, the Corporation and the City entered into an agreement for a \$10 million dollar non-revolving reducing credit facility, where the Corporation would advance funds for the purpose of financing the operating requirements of the Corporation. The Corporation is not entitled to obtain a re-advance or re-borrowing of any portion of the credit facility. Interest is payable on advances semi-annually at a rate of 3.14%, which is the 10 year fixed Alberta Capital Finance Authority ("ACFA") rate as of July 1, 2011. As at December 31, 2014 the Corporation has \$3.45 million outstanding on the credit facility (December 31, 2013 - \$2.45 million) and interest has been paid to December 31, 2014. Borrowings under this credit facility are secured by a general security agreement covering all the Corporation's real and personal property.



## **Attainable Homes Calgary Corporation**

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

For the year ended December 31, 2014

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#### **10. Mortgages payable**

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

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

During the year, the Corporation was repaid for the VTB in the Equity Investment in Co-Ownership (Note 7). These funds were used to pay off the mortgage with the City of \$1,879,008. During the prior year, the Corporation sold one parcel of land and repaid the mortgage payable of \$367,236.

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#### **11. Pension plan**

The Corporation provides a contributory pension plan for qualifying employees through participation in the Local Authorities Pension Plan ("LAPP"). LAPP is a multi-employer plan offered to various unrelated employers throughout Alberta. The responsibility for strategic direction and plan asset management is held by the LAPP board of directors, composed of management and labour representatives. The plan provides a defined benefit pension based on the employee's earnings and length of service. The Corporation has accounted for its participation in the plan using defined contribution accounting, as there is insufficient information to apply defined benefit accounting. In 2014, the expense funded and recognized by the Corporation was \$52,565 (2013 - \$43,929).

## Attainable Homes Calgary Corporation

### Notes to the Financial Statements

For the year ended December 31, 2014

#### 12. Tangible capital costs

December 31, 2014			
	Cost	Accumulated	Net
	\$	Amortization	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
<b>Total tangible capital assets</b>	<b>171,870</b>	<b>120,276</b>	<b>51,594</b>

December 31, 2013			
	Cost	Accumulated	Net
	\$	Amortization	Book
		\$	Value
			\$
Computers	30,738	17,739	12,999
Office equipment and furniture	43,209	28,261	14,948
Leasehold improvements	82,678	59,404	23,274
<b>Total tangible capital assets</b>	<b>156,625</b>	<b>105,404</b>	<b>51,221</b>

#### 13. Share capital

The Corporation is authorized to issue an unlimited number of common shares. The shares can be issued only to the City, its agent or successor and are not otherwise transferable. As at December 31, 2014 and December 31, 2013 one share was issued.

#### 14. Financial instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, equity receivables, vendor take-back mortgages, accounts payable and accrued liabilities, credit facility and mortgages payable. The carrying value of the cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the short term nature of these financial instruments. The estimated fair value of the mortgages payable is \$3,643,163 (2013 – \$5,016,015). 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 reflects the sensitivity of the Corporation's financial results and condition to movements in interest rates. Interest rate risk is limited for the credit facility as the interest is locked in through ACFA. Interest rate risk is also limited for the mortgages payable and site development loan as interest is only payable in the event of default.

## **Attainable Homes Calgary Corporation**

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

For the year ended December 31, 2014

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#### **b. Credit risk**

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

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#### **15. Comparative amounts**

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

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