ATTAINABLE HOMES
CALGARY CORPORATION

Financial Statements

For the year ended December 31, 2017

COLLINS BARROW

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Independent Auditors' Report

To the Shareholder of
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, 2017, 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Collins Barrow Calgary LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada
April 19, 2018

Attainable Homes Calgary Corporation
Statement of Financial Position

As at December 31,		2017		2016
FINANCIAL ASSETS				
Cash	$	**50,839**	$	57,706
Restricted cash (Notes 3 and 17)		**500,000**		500,000
Accounts receivable		**272,917**		196,227
Inventory (Note 4)		**10,933,008**		10,309,034
Deposits on units (Notes 5 and 16)		**485,708**		938,231
Other deposits (Note 6 and 8)		**1,548,110**		97,500
Equity receivables (Note 7)		**5,214,212**		6,419,246
Land and site development costs (Note 8)		**4,952,065**		4,782,675
Vendor take-back mortgages (Note 9)		**-**		4,984,053
		23,956,859		28,284,672
LIABILITIES				
Accounts payable and accrued liabilities		**273,147**		152,532
Credit facilities (Note 10)		**3,850,974**		5,775,000
Mortgages payable (Note 11)		**3,278,804**		3,963,413
Customer deposits		**13,730**		60,497
		7,416,655		9,951,442
NET FINANCIAL ASSETS		**16,540,204**		18,333,230
NON-FINANCIAL ASSETS				
Tangible capital assets (Note 13)		**31,062**		27,268
Prepaid expenses		**12,774**		29,875
Total non-financial assets		**43,836**		57,143
ACCUMULATED OPERATING SURPLUS (Note 15)	$	**16,584,040**	$	18,390,373

Obligations (Note 16)
Subsequent events (Notes 6, 8, 10 and 16)
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	2017	2016
REVENUE		
Sales	$ 29,922,589	$ 26,929,523
Sales – land (Note 8)	-	2,646,148
Other revenue	114,215	83,467
	30,036,804	29,659,138
EXPENSES		
Cost of goods sold	27,508,236	24,661,427
Cost of goods sold – land (Note 8)	63,198	2,432,800
Salaries and benefits (Note 12)	916,677	845,981
Professional fees	257,879	267,592
Marketing and sales	242,455	169,562
Occupancy expenses	53,216	54,179
General and administrative	103,953	122,485
Inventory carrying costs	286,164	228,981
Realized loss on equity receivables (Note 7)	215,341	87,964
Bad debt expense	61	55,042
Write off (recovery) of deposits on units (Note 5)	(121,050)	121,050
Interest expense	140,047	78,871
	29,666,177	29,125,934
SURPLUS BEFORE THE FOLLOWING:	370,627	533,204
Amortization of tangible capital assets (Note 13)	11,089	13,682
Impairment of inventory (Note 4)	416,100	358,593
Impairment reversal of land and site development costs (Note 8)	(94,150)	-
Unrealized loss on equity receivables (Note 7)	1,843,921	710,408
	2,176,960	1,082,683
OPERATING DEFICIENCY	$ (1,806,333)	$ (549,479)

Accumulated operating surplus, beginning of year	$ 18,390,373	$ 18,939,852
Operating deficiency	(1,806,333)	(549,479)
Accumulated operating surplus, end of year	$ 16,584,040	$ 18,390,373

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation
Statement of Changes in Net Financial Assets

Year ended December 31	2017	2016
OPERATING DEFICIENCY	**$ (1,806,333)**	$ (549,479)
TANGIBLE CAPITAL ASSETS		
Purchases of tangible capital assets	**(14,883)**	(16,665)
Amortization of tangible capital assets	**11,089**	13,682
	(1,810,127)	(552,462)
OTHERS		
Decrease (increase) in prepaid expenses	**17,101**	(26,430)
DECREASE IN NET FINANCIAL ASSETS	**(1,793,026)**	(578,892)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	**18,333,230**	18,912,122
NET FINANCIAL ASSETS, ENDING OF YEAR	**$ 16,540,204**	$ 18,333,230

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation
Statement of Cash Flows

Year ended December 31	2017	2016
CASH PROVIDED BY (USED IN):		
OPERATING		
Operating (deficiency)	$ (1,806,333)	$ (549,479)
Non-cash and non-operating items:		
Amortization of tangible capital assets	11,089	13,682
Vendor take-back mortgages	(29,986)	(2,664,053)
Amortization of deferred financing costs	12,020	-
Realized loss on equity receivables	215,341	87,964
Unrealized loss on equity receivables	1,843,921	710,408
Impairment of inventory	416,100	358,593
Impairment reversal of land and site development costs	(94,150)	-
	568,002	(2,042,885)
Non-cash working capital		
Accounts receivable	(76,690)	(92,709)
Prepaid expenses and deposits	(980,986)	1,730,134
Inventory	(1,040,074)	(8,283,757)
Equity receivables	(854,228)	(625,632)
Land and site development costs	(75,240)	2,431,429
Vendor take-back mortgages	5,014,039	1,130,000
Accounts payable and accrued liabilities	120,615	(372,694)
Customer deposits	(46,767)	(2,358)
	2,060,669	(4,085,587)
Cash provided by (used in) operating activities	2,628,671	(6,128,472)
CAPITAL TRANSACTIONS		
Purchases of tangible capital assets	(14,883)	(16,665)
Cash used in capital activities	(14,883)	(16,665)
FINANCING TRANSACTIONS		
Proceeds from credit facilities	14,693,251	14,400,000
Repayment of credit facilities	(16,596,710)	(8,625,000)
Mortgage repayment	(684,609)	(30,500)
Financing costs paid	(32,587)	-
Cash (used in) provided by financing activities	(2,620,655)	5,744,500
Increase (decrease) in cash, during the year	(6,867)	(400,637)
Cash and restricted cash, beginning of year	557,706	958,343
Cash and restricted cash, end of year	$ 550,839	$ 557,706

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

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 application fees, customer deposits retained from rescinded purchase transactions and rental income earned from the rental of completed inventory units. Revenue from application fees is recognized upon the customer paying a non-refundable fee in order to hold the unit selected. Customer deposits retained from rescinded purchase transactions are recognized when a client cancels the transaction after the 10-day rescission period has passed and the waivers have been signed by the client and the Corporation. Rental income is recognized monthly, as the rental occurs.

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

d. 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 needed to sell the units.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

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

e. Land and site development costs

Land and site development costs are carried at the lower of cost and net realizable value, with cost being determined using specific identification. Net realizable value is the estimated selling price in the ordinary course of business less any costs necessary to sell the land.

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

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

f. 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.

g. Tangible capital assets

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

	Years
Computers	5
Office equipment and furniture	5
Leasehold improvements	3

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

h. 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, 2017

2. Significant accounting policies (continued)

i. Impairment of assets

When conditions indicate that a tangible capital asset, inventory, site development costs or land no longer contributes to the Corporation's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset, inventory, 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 net realizable value. When the opposite occurs on an asset that has previously been impaired, an impairment reversal is recorded, up to the assets original cost before any impairments. Any write-down, or reversal of write down, is included in the statement of operations.

j. Financial instruments and fair values

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

k. Use of estimates

The financial statements are prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the year. Significant estimates include valuation of inventory, land and site development costs, valuation of allowance for doubtful equity receivables and the period and rate used to discount equity receivables. Actual results could differ from those estimates.

3. Restricted cash

The Corporation is required to maintain a $1,000,000 operating reserve (Notes 2(h) and 15) which has been funded, in part, by a one-time contribution of $500,000 in 2016.

4. Inventory

Inventory consists entirely of housing units held for re-sale. During the year ended December 31, 2017 inventory was written down by $416,100 (2016 - $358,593) to its net realizable value, which has been included in impairment of inventory on the statement of operations.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

5. Deposits on units

As at December 31, 2017, the Corporation has paid $485,708 (2016 - $938,231) in non-refundable deposits for 35 (2016 – 71) housing units.

During the year ended December 31, 2016, $121,050 of non-refundable deposits were written off relating to the expiration of the deposit on 9 units where the option to purchase was not exercised. This amount was recovered April 7, 2017 and is included on the statement of operations.

6. 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 continued to be outstanding at December 31, 2017. During the year ended December 31, 2017, an additional deposit of $1,450,510 was made for the purchase of the parcel of land.

Subsequent to December 31, 2017, the Corporation purchased the parcel of land. Title transferred on January 10, 2018 (Note 8), at which time the total deposit transferred to land inventory.

7. Equity receivables

Equity receivables comprise amounts that customers owe the Corporation for the purchase of housing units through participation in the Corporation's housing programs. The amount recorded is approximately 5% of the 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 customer owns the property dictates the percentage used in the shared participation calculation; as follows:

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

7. **Equity receivables** (continued)

Length of ownership of the unit by the customer	% of the shared participation due to the Corporation
From the closing date to the first anniversary of the closing date	100%
From the first anniversary to the 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%

The equity receivables were discounted to incorporate the time value of money. This was calculated based on the estimated interest rate applicable to similar financing arrangements of 2.45% (2016 – 1.95%). The discount recorded at December 31, 2017 was $676,521 (2016 - $997,254).

Due to the decline in market conditions, an allowance for doubtful equity receivables of $2,947,917 was recorded to December 31, 2017 (2016 - $862,210).

Equity receivables consist of the following:

	December 31, 2017	December 31, 2016
Equity receivables – gross	**$ 8,838,650**	$ 8,278,710
Allowance	**(2,947,917)**	(862,210)
Discount	**(676,521)**	(997,254)
Equity receivables – net	**$ 5,214,212**	$ 6,419,246

During the year ended December 31, 2017, $752,051 (2016 - $756,785) of equity receivables were settled for $457,762 (2016 - $575,255), offset by the reversal of allowances previously recorded of $78,948 (2016 - $93,566) resulting in a realized loss of $215,341 (2016 – $87,964).

8. Land and site development costs

During the year ended December 31, 2017, the Corporation did not sell any land.

During the year ended December 31, 2016, the Corporation sold one parcel of land to a homebuilder for proceeds of $2,646,148, secured by a vendor take-back mortgage (Note 9), resulting in a net gain of $213,348. During the year ended December 31, 2017, a $63,198 treatment plant levie was assessed on this land.

During the year ended December 31, 2017, the Corporation reversed an impairment of $94,150 that was recorded in the year ended December 31, 2015, on two parcels of land, based on an

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

appraisal that was completed during the year. There were no write downs, or reversal of write downs of land during the year ended December 31, 2016.

Subsequent to December 31, 2017, the Corporation purchased a parcel of land from The City of Calgary for $1,474,200. Title transferred on January 10, 2018, at which time the deposits previously paid (Note 6) were recognized.

9. Vendor take-back mortgages

	December 31, 2017	December 31, 2016
A vendor-take-back mortgage, bearing no interest, payable the earlier of three months after the closing of the 39th unit sale by the Corporation, or July 31, 2017	-	$2,664,053
A vendor-take-back mortgage, bearing no interest, payable the earlier of six months after substantial completion of the project, or December 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
TOTAL	-	$4,984,053

As at December 31, 2016 the vendor-take-back mortgages due December 30, 2016 and December 31, 2016 were unpaid and therefore in default. These mortgages were paid in full April 7, 2017.

10. Credit facilities

a. On February 24, 2015, the Corporation entered into an agreement for a $10 million revolving operating credit facility with a financial institution, that was due February 28, 2018 with an option to extend for an additional 364 days, at the discretion of the lender. Subsequent to December 31, 2017, the facility's term was extended to February 28, 2020, with an additional one year extension. The credit facility is available by way of prime-based loans, guaranteed notes and letters of credit (to an aggregate maximum of $3,000,000) in Canadian dollars.

   Interest is payable monthly on an annual rate of prime less 0.75%. As at December 31, 2017 the Corporation had $3,399,060 (2016 - $6,082,845) outstanding on the credit

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

10. Credit facilities (continued)

facility, comprised of $3,091,215 outstanding on the revolving credit facility and a $307,845 letter of credit in favour of The City of Calgary that expires on May 20, 2018.

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

b. On February 21, 2017, and as renewed subsequent to December 31, 2017, the Corporation entered into an agreement for a $10 million evergreen loan facility with a financial institution, that is payable in full on demand by the Lender. It is to be used for purchase of completed units from various housing projects and developments in the City of Calgary.

The balance of all amounts owing under each advance are payable by the end of twelve months from the date of such advance, except the advance relating to Orchard Sky units, which is due by the end of twenty-four months from the date advance.

Interest is payable monthly on an annual rate of prime plus 0.35% and a mandatory repayment of 100% of net sale proceeds of each unit is to be applied as a principal repayment under the facility. As at December 31, 2017 the Corporation had $780,326 outstanding on the loan, which is due on April 20, 2019.

Borrowings under this credit facility are secured by a $10 million first fixed charge over the Orchard Sky units and any other eligible units financed under this facility. The City of Calgary subordinates and postpones security interest (see Note 10(a)) as it relates to any eligible units financed under this facility.

Financing costs of $32,587 were incurred during the year ended December 31, 2017 are netted against the outstanding loan balance and are being amortized over the term of the loan. Financing costs remaining at December 31, 2017 were $20,567.

Both credit facilities include financial covenants based on the interest coverage ratio and the total debt ratio. The Corporation met both financial covenants as at December 31, 2017 and 2016.

11. Mortgages payable

The Corporation and the City entered into a Mortgage and a purchase and sale agreement on April 7, 2011, whereby the Corporation received the deemed principal sum of $5,188,312 by advancement of the transfer of four parcels of land (the "Lands") by the City to the Corporation. The maturity date of the Mortgage is the earlier of (i) August 3, 2021, (ii) in the event the Corporation sells any parcel of land, then a portion of the principal sum allocated to the sold parcel as outlined in the Mortgage agreement or (iii) in the event the Corporation sells the Lands in a single transaction, then on the date the Corporation receives the net proceeds of the sale. The balance owing on the mortgage is $3,278,804 as at December 31, 2017 (2016 - $3,278,804). There is no interest on the principal sum provided the Corporation is not in default of any

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

11. Mortgages payable (continued)

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 principal sum from the date of event of default to the maturity date. The Corporation was not in default at December 31, 2017 or 2016.

The Corporation and the City also entered into a Mortgage and a purchase and sale agreement on August 30, 2012, whereby 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. A site development loan of $323,150 advanced by the City to the Corporation on December 29, 2011 was 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 $nil at December 31, 2017 (2016 - $684,609). The Corporation was not in default at December 31, 2016.

During the year ended December 31, 2017, the Corporation used the proceeds from the repayment of the vendor-take-back mortgages to pay mortgages with the City of $684,609 (2016 - $30,500).

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

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

During the year ended December 31, 2017, the expense funded and recognized by the Corporation was $89,085 (2016 - $67,574), which has been included in salaries and benefits on the statement of operations.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

13. Tangible capital assets

	December 31, 2017		
	Cost $	Accumulated Amortization $	**Net Book Value** **$**
Computers	55,498	41,468	**14,030**
Office equipment and furniture	58,610	48,561	**10,049**
Leasehold improvements	94,534	87,551	**6,983**
Total tangible capital assets	208,642	177,580	**31,062**

	December 31, 2016		
	Cost $	Accumulated Amortization $	Net Book Value $
Computers	51,421	36,055	15,366
Office equipment and furniture	53,054	45,962	7,092
Leasehold improvements	89,284	84,474	4,810
Total tangible capital assets	193,759	166,491	27,268

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, 2017 and December 31, 2016 one share was issued and outstanding.

15. Accumulated Operating Surplus

Accumulated operating surplus consists of restricted and unrestricted amounts as follows:

	2017	2016
Restricted operating reserve	**$ 1,000,000**	1,000,000
Unrestricted surplus	**15,584,040**	17,390,373
	$ 16,584,040	$ 18,390,373

During the year ended December 31, 2016, the Board of Directors of the Corporation approved a transfer of $1,000,000 to the restricted operating reserve (Note 3). The Corporation funded 50% of the reserve (Note 3). The remaining reserve will be funded through future operating surpluses.

Attainable Homes Calgary Corporation

Notes to the Financial Statements

Year ended December 31, 2017

16. 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, 2017, the contractual obligations related to these contracts are as follows:

a. Up to $2,816,180 for up to 11 inventory units that have not been sold within thirty days after Occupancy Permit is issued by the City of Calgary and the Condominium Plan has been registered at the Alberta Land Titles Office. The Corporation has the option to reimburse the builder for the carrying costs of the units rather than closing.

   Subsequent to December 31, 2017, the Corporation purchased 4 units relating to this obligation, for a total of $1,077,600, less deposits previously paid of $53,880.

b. Up to $2,312,210 for up to 9 inventory units that have not been sold.

   Subsequent to December 31, 2017, the Corporation sold two of these units, which relieved the Corporation of $503,009 in obligations, and purchased the additional 7 units relating to this obligation, for a total of $1,904,422, less deposits previously paid at $95,221.

c. Up to $2,244,938 for up to 8 inventory units that have not been sold by the occupancy date, which the Corporation will be notified of at least 60 days in advance by the seller.

d. Up to $1,123,642 for up to 4 inventory units that have not been sold by January 25, 2018.

   Subsequent to December 31, 2017, the Corporation purchased these 4 units for a total of $1,182,781, less deposits previously paid at $59,139.

17. Financial instruments

Financial instruments consist of cash, cash held in trust, restricted cash, 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, cash held in trust, restricted cash, 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 $2,968,158 (2016 – $3,536,448). Calculation of the estimated fair value of the mortgages payable is based on lending rates obtainable at December 31, 2017 for loans with comparable maturities from the City's primary lender, the Alberta Capital Finance Authority ("ACFA").

Attainable Homes Calgary Corporation

Notes to the Financial Statements

Year ended December 31, 2017

17. Financial instruments (continued)

a) **Interest rate risk**

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

b) **Credit risk**

Credit risk is the risk that one party's financial instruments will cause a financial loss for the other party by failing to discharge an obligation. The financial instruments that potentially subject the Corporation to a significant concentration of credit risk consist primarily of cash, cash held in trust, restricted 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 restricted cash with major financial institutions. Cash held in trust and accounts receivable are amounts that are held in trust with lawyers and due from reputable home builders, respectively. 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, 2017, the Corporation has available $6,293,095 relating to its revolving credit facility, and $9,219,674 relating to its evergreen loan facility and in addition to its revolving operating credit facility extended to February 28, 2020 (Note 10), the Corporation anticipates that it will be able to repay all financial liabilities as they come due.

The Corporation is required to maintain a $1,000,000 operating reserve; funded to 50% with a one-time contribution (Note 3). The operating reserve fund may be used to pay operating and maintenance expenses, if required.

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.