ATTAINABLE HOMES
CALGARY CORPORATION

Financial Statements

For the year ended December 31, 2019

RSM Alberta LLP

777 8th Ave SW
Suite 1400
Calgary, AB T2P 3R5

O +1 403 298 1500
F +1 403 298 5814

www.rsmcanada.com

Independent Auditor's Report

To the Shareholder of Attainable Homes Calgary Corporation

Opinion

We have audited the financial statements of Attainable Homes Calgary Corporation (the "Corporation"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019, and the results of its operations, cash flows and changes in net assets for the year ended December 31, 2019 in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates the Corporation incurred a net loss for the year ended December 31, 2019 of $2,150,150 and has experienced asset impairments. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect to this matter.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the 2019 Annual Report.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The 2019 Annual Report is expected to be made available to us after the date to auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

RSM Alberta LLP is a limited liability partnership that provides public accounting services. RSM is the brand used by a network of independent accounting and consulting firms, each of which practices in its own right. Visit rsmcanada.com/aboutus for more information regarding RSM Alberta LLP and RSM International.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Alberta LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada
May 5, 2020

Attainable Homes Calgary Corporation

Statement of Financial Position

As at December 31, 2019 (with comparatives as at December 31, 2018)

		2019		2018
ASSETS				
Cash (Note 14)	**$**	**1,350,714**	$	1,260,996
Accounts receivable		**58,066**		42,111
Prepaid expenses		**39,222**		108,320
Inventory (Note 3)		**5,370,452**		12,052,125
Deposits on units (Notes 4 and 15)		**518,805**		856,081
Other deposits (Note 5)		**11,811**		45,237
Equity receivables (Note 6)		**5,320,698**		4,861,061
Land and site development costs		**4,625,904**		4,643,809
Projects under development and construction (Note 7)		**4,312,609**		5,664,111
Tangible capital assets (Note 11)		**24,393**		36,472
Total assets	**$**	**21,632,674**	$	29,570,323
LIABILITIES				
Accounts payable and accrued liabilities	**$**	**577,841**	$	2,062,483
Provision to complete construction		**88,266**		-
Credit facilities (Note 8)		**5,933,746**		10,422,353
Mortgages payable (Note 9)		**3,278,804**		3,278,804
Customer deposits		**139,667**		59,786
Deferred rent expense		**19,342**		7,461
Unearned revenue		**6,937**		1,215
Total liabilities		**10,044,603**		15,832,102
NET ASSETS				
Share capital (Note 13)		**1**		1
Operating reserve (Note 14)		**1,000,000**		1,000,000
Unrestricted surplus (Note 14)		**10,588,070**		12,738,220
Total net assets		**11,588,071**		13,738,221
Total liabilities and net assets	**$**	**21,632,674**	$	29,570,323

Contractual obligations (Note 15)
Subsequent events (Note 1, 9 and 15(a))

See accompanying notes to the financial statements.

On behalf of the Board

(signed) "Robin Lokhorst", Director *(signed) "Gerry Wagner",* Director

Attainable Homes Calgary Corporation

Statement of Operations

Year ended December 31, 2019 (with comparatives for the year ended December 31, 2018)

	2019	2018
Sales	$ 20,928,556	$ 12,891,991
Cost of sales	20,419,063	12,461,203
Gross margin (note 12)	509,493	430,788
Other income	392,472	136,573
	901,965	567,361
EXPENSES		
Salaries and benefits (Note 10)	1,073,218	951,145
Professional fees	222,609	422,645
Marketing and sales	461,732	348,408
Occupancy expenses	122,248	77,743
General and administrative	101,285	99,882
Inventory carrying costs	316,120	328,603
Interest expense	336,879	268,247
	2,634,091	2,496,673
DEFICIENCY BEFORE THE FOLLOWING:	(1,732,126)	(1,929,312)
Amortization of tangible capital assets (Note 11)	13,507	13,680
Impairment of inventory (Note 3)	375,180	579,300
Unrealized loss on equity receivables (Note 6)	-	314,923
Realized gain on equity receivables (Note 6)	(3,303)	(9,295)
Bad debt expense	32,640	17,900
	418,024	916,508
OPERATING DEFICIENCY	$ (2,150,150)	$ (2,845,820)

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation

Statement of Changes in Net Assets

Year ended December 31, 2019 (with comparatives for the year ended December 31, 2018)

	2019	2018
NET ASSETS, BEGINNING OF YEAR	$ 13,738,221	$ 16,584,041
OPERATING DEFICIENCY	(2,150,150)	(2,845,820)
NET ASSETS, ENDING OF YEAR	$ 11,588,071	$ 13,738,221

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation
Statement of Cash Flows
Year ended December 31, 2019 (with comparatives for the year ended December 31, 2018

	2019	2018
CASH PROVIDED BY (USED IN):		
OPERATING		
Operating (deficiency)	$ (2,150,150)	$ (2,845,820)
Non-cash and non-operating items:		
Amortization of tangible capital assets	13,507	13,680
Amortization of deferred financing costs	906	15,082
Unrealized loss on equity receivables	-	314,923
Impairment of inventory	375,180	579,300
	(1,760,557)	(1,922,835)
Non-cash working capital and other operating balances:		
Accounts receivable	(15,955)	230,806
Prepaid expenses	69,098	(95,546)
Deposits on units and other deposits	370,702	1,132,500
Inventory	6,306,493	(1,698,417)
Equity receivables	(459,637)	38,228
Land and site development costs	17,905	(1,165,944)
Projects under development and construction	1,351,502	(4,189,911)
Accounts payable and accrued liabilities	(1,484,642)	1,789,336
Provision to complete construction	88,266	-
Customer deposits	79,881	46,056
Deferred rent expense	11,881	7,461
Unearned revenue	5,722	1,215
	6,341,216	(3,904,216)
Cash provided by (used in) operating activities	4,580,659	(5,827,051)
CAPITAL TRANSACTIONS		
Purchases of tangible capital assets	(1,428)	(19,090)
Cash used in capital activities	(1,428)	(19,090)
FINANCING TRANSACTIONS		
Proceeds from credit facilities	12,389,379	17,990,186
Repayment of credit facilities	(16,878,892)	(11,433,889)
Cash (used in) provided by financing activities	(4,489,513)	6,556,297
Increase in cash, during the year	89,718	710,156
Cash, beginning of year	1,260,996	550,840
Cash, end of year	$ 1,350,714	$ 1,260,996

See accompanying notes to the financial statements.

1. Nature of the business

Attainable Homes Calgary Corporation (the "Corporation"), a private 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. The Corporation is exempt from tax under the *Canada Income Tax Act.*

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due. These financial statements do not reflect the adjustments necessary to the presentation and carrying amounts of the assets and liabilities if the Corporation were not able to continue operations and as such adjustments and reclassifications could be material.

The Corporation incurred a loss of $2,150,150 for the year ended December 31, 2019 (2018 - $2,845,820). The Corporation has also recorded inventory write downs to net realizable value and allowances on its equity loans to reduce them to their minimum repayments over the last three and two years, respectively.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Corporation's operations, suppliers or other vendors, and customer base, specifically home buyers. Any quarantines, labour shortages or other disruptions to the Corporation's operations, or those of their customers, may adversely impact the Corporation's revenues and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Corporation operates, resulting in an economic downturn that could affect demand for its inventory and program. As of the date of these financial statements, any new work to be started related to the Corporation's project under development and construction will not commence for an unknown period of time. All of the buildings previously under construction at December 31, 2019 have all been completed subsequent to year end. The extent to which the coronavirus impacts the Corporation's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

These factors indicate material uncertainties that cast significant doubt on the Corporation's ability to continue as a going concern.

The Corporation's ability to continue as a going concern is dependent upon its ability to:

- sell the existing inventory and complete and sell the townhouse units under construction at or above its carrying cost at completion;
- sustain positive cash flows from operations; and
- continue to obtain support from its lenders or other parties to meet current and future liabilities and contractual obligations (note 15).

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 ("PSAS for Government NPOs").

b. 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, rental income earned from the rental of completed inventory units and administration fees related to the facilitation of sales of housing units not held by the Corporation but sold to individuals that qualify for the Corporation's housing program.

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. Administration fees are recognized when a firm deal on a housing unit is signed and possession date has been set, the amount can be reasonably estimated and collection is reasonably assured.

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

c. Inventory

The cost of inventory consists of purchase costs of housing units 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.

d. Equity receivables

Equity receivables are recognized by the Corporation on the date the Corporation assumes the risks associated with, and acquires the right to receive repayment of principal plus any shared appreciation, in accordance with the terms of the equity loan agreement (Note 6) and when the amount of the loan can be reliability measured. This normally coincides with the disbursement of funds and sale of a housing unit.

2. Significant accounting policies (continued)

Equity receivables are initially reported at cost. Valuation allowances are used to reflect the equity receivable at the lower of cost and net recoverable value. Net recoverable value is the amount determined by management to be the amount of loan receivable that will ultimately be collected. Valuation allowances are determined using the best estimates available in light of past events, current conditions and taking into account all circumstances known at each financial reporting date. Subsequent to initial recognition, valuation allowances are recognized as unrealized losses on the statement of operations. If it is determined that the net recoverable value has subsequently increased, equity receivables can be written back up to their original cost and this reversal of a previously recorded allowance is offset against unrealized losses on the statement of operations in the period that the reversal takes place. Gains or losses are realized in the statement of operations in the period in which the equity receivables are settled.

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. Projects under development and construction

Projects under development and construction 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 project under development and construction.

Costs capitalized to projects under development and construction include all direct costs relating to the project's carrying costs including interest on debt used to finance project acquisitions, insurance, property taxes and land acquisition costs. Corporate administration overhead is not capitalized.

The costs of the properties are allocated to each building using specific identification and further to each unit of a project based on projected revenues in the building. The cost of a unit is allocated using the net yield method on the basis of the estimated total cost of the project prorated by the anticipated selling price of the unit over the anticipated selling price of the entire project.

2. Significant accounting policies (continued)

As buildings within the project are complete, the construction costs specific to the building as well as a portion of land costs, which are allocated on a pro-rata basis, and estimated completion costs are transferred to inventory. The total estimated costs relating to the sold unit is recorded as a liability once the unit has sold. The unexpended portion of the total estimated costs is shown as a provision to complete construction in the statement of financial position. Whenever the estimate is determined to be materially different from the actual costs incurred or expected to be incurred, an adjustment is made to the provision with a corresponding adjustment to the cost of sales and inventory. Independent contractors and management calculate these estimates, however, until the building is completed, these costs are subject to measurement uncertainty.

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. 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 asset are less than its net book value, the cost of the asset, 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.

i. Financial instruments and fair values

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

2. Significant accounting policies (continued)

j. 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, allowance for doubtful equity receivables and provision to complete construction. Actual results could differ from those estimates.

3. Inventory

Inventory consists entirely of housing units held for re-sale. During the year ended December 31, 2019 inventory was written down by $375,180 (2018 - $579,300) to its net realizable value, which has been included in impairment of inventory on the statement of operations.

The movement in inventory during the year consists of the following:

	2019		2018	
	Units	**$**	Units	$
Balance, beginning of year	**50**	**$ 12,052,125**	47	$ 10,933,008
Purchases	**19**	**4,941,739**	49	13,998,388
Transfers from projects under development	**36**	**9,037,114**		-
Inventory sold	**(82)**	**(20,285,346)**	(46)	(12,299,971)
Impairment	**-**	**(375,180)**	-	(579,300)
Balance, end of year	**23**	**$ 5,370,452**	50	$ 12,052,125

4. Deposits on units

As at December 31, 2019, the Corporation has paid $518,805 (2018 - $856,081) in non-refundable deposits for 36 (2018 – 68) housing units.

The movement in deposits on units during the year consists of the following:

	2019		2018	
	Units	**$**	Units	$
Balance, beginning of year	**68**	**$ 856,081**	35	$ 485,708
Additions	**-**	**43,200**	84	1,063,585
Carrying costs incurred	**-**	**74,954**		-
Possessions	**(19)**	**(238,231)**	(51)	(693,212)
Deposits released	**(11)**	**(142,245)**	-	-
Write-off of carrying costs	**-**	**(74,954)**	-	-
Balance, end of year	**38**	**$ 518,805**	68	$ 856,081

During the year ended December 31, 2019 amendments were made to Purchase Agreements, resulting in the units originally agreed to be purchased being exchanged for a different unit. This exchange did not result in a net change in quantity of units and deposits made on the original units were transferred to the new units. The exchange increased the deposit on two units, as noted in the additions above. As a part of these amendments to the Purchase Agreements, 11 units were removed from the original contracts and the deposits were released back to the Corporation during the year.

During the year ended December 31, 2019, $74,954 (2018 - $nil) of carrying costs were incurred due to the Corporation deferring the purchase of inventory units (note 15(a)). These amounts were determined to not be recoverable and have been written off through the statement of operations as a part of inventory carrying costs.

5. Other deposits

As at December 31, 2019, the Corporation has paid $11,811 (2018- $45,237) in other deposits related to a security deposit on the Corporation's rental space leased in 2018.

The balance at December 31, 2018 related to a deposit related to the Corporation's rental space leased in 2018 as well as refundable deposits paid to builders on units.

6. 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 original sales value of each unit and is stipulated in each equity loan contract signed by the Corporation and the customer.

For agreements entered into prior to April 1, 2018, at such time that the customer sells or refinances their unit, they are obligated to pay the greater of the 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.

For agreements entered into after April 1, 2018, at such time that the customer sells or refinances their unit, they are obligated to pay the predetermined minimum repayment amount plus 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 and equity loan receivable.

The length of ownership of the unit by the customer is calculated as the period between the closing 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:

For agreements entered into prior to April 1, 2018:

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%

6. Equity receivables (continued)

For agreements entered into subsequent to April 1, 2018:

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 third anniversary of the closing date	75%
From the third anniversary to the fifth anniversary of the closing date	50%
From the fifth anniversary until the disposition of the unit	25%

Equity receivables consist of the following:

	2019	2018
Face value of equity receivable, beginning of year	**$ 8,572,274**	$ 8,838,650
Add: Value of sales in the year	**871,761**	344,250
Less: Value of loans settled in the year	**(735,590)**	(610,626)
Face value of equity receivable, end of year	**8,708,445**	8,572,274
Net recoverable allowance, beginning of year	**3,711,213**	3,624,438
Less: Net recoverable allowance on loans settled in the year	**(323,466)**	(228,427)
Add: Write down to net recoverable value on prior year loans	**-**	250,826
Add: Increase in foreclosure allowance	**-**	64,376
Net recoverable allowance, end of year	**3,387,747**	3,711,213
Equity receivable, net, end of year	**$ 5,320,698**	$ 4,861,061

During the year ended December 31, 2019, $735,590 (2018 - $610,626) of gross equity receivables, net of previously recorded allowances of $323,466 (2018 - $228,427) were settled for cash proceeds of $415,427 (2018 - $391,494) resulting in a realized gain of $3,303 (2018 – $9,295) which has been included in the statement of operations.

The Corporation holds encumbrances and security over the property to which the equity receivable relates.

7. Projects under development and construction

Projects under development and construction consist of land and development costs on a multi-family project located in the north-east of Calgary. The balance consists of:

	2019	2018
Opening balance	**$ 5,664,111**	$ -
Cost incurred:		
Land	**-**	1,474,200
Project costs	**7,685,612**	4,189,911
Transfers to inventory	**(9,037,114)**	-
Closing balance	**$ 4,312,609**	$ 5,664,111

8. Credit facilities

Credit facilities outstanding consist of $5,933,746 (2018 - $7,357,755) under the revolving operating facility of $NIL (2018 - $3,064,598) under the evergreen facility and $NIL (2018 - $NIL) under the temporary bridge loan.

a) Revolving operating facility

On October 31, 2019 the Corporation entered into a new agreement, that replaced a previous facility with the same lender, where the Corporation has available a $10 million revolving operating credit facility with a financial institution that is due February 28, 2020 with an option to extend for an additional 364 days, at the discretion of the lender, but shall not be extended beyond June 30, 2021. During the year, the loan was extended to February 28, 2021. The credit facility is available by way of prime-based loans, guaranteed notes and up to $3,000,000 of letters of credit.

Interest is payable monthly at an annual rate of prime less 0.75%. As at December 31, 2019 the Corporation had $6,251,750 (2018 - $7,878,885) outstanding on the credit facility, comprised of $5,933,746 (2018 - $7,357,755) outstanding on the revolving credit facility, and three (2018 – three) letters of credit of $313,426 (2018 - $515,645) in favour of The City of Calgary that expire between June 29, 2020 and September 19, 2020 and renew automatically on expiry.

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 property.

b) Evergreen facility

On June 4, 2019, the Corporation entered into a new agreement that replaced a previous facility with the same lender, for a $10 million evergreen loan facility with a financial institution. Funds are not available under this facility until after May 31, 2020 subject to the annual review. The facility is non-revolving and amounts repaid may not be reborrowed.

8. Credit facilities (continued)

The evergreen facility is payable in full on demand by the Lender and is to be used for purchase of completed units from various housing projects and developments in the City of Calgary. Advances under this facility will be determined by the Lender. The Lender will finance the amount up to 75% of the purchase price of the eligible units (as defined by the agreement) with a minimum advance of $500,000 and maximum advance of $2,500,000.

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 Chalet No. 6, which was due on July 31, 2019.

Interest was payable monthly at an annual rate of prime plus 0.75% for funds advanced on the Chalet No. 6 advance and prime plus 0.35% for all other advances and a mandatory repayment of 100% of net sale proceeds of each unit is to be applied as a principal repayment under the facility. The Corporation had the following amounts outstanding:

	December 31, 2019	December 31, 2018
	Amount	Amount
Chalet No. 6	**$ -**	$ 564,598
Buffalo	**-**	2,500,000
	$ -	$ 3,064,598

Borrowings under this facility are secured by a $10 million first fixed charge over all eligible units (as defined by the agreement financed under this facility. The City of Calgary subordinates and postpones security interest (see Note 9(a)) as it relates to any eligible units financed under this facility. The book value of the assets secured under this facility is $nil (2018 - $3,995,152).

The Corporation is required to maintain a total debt-to-equity ratio of less than 2.50:1 relating to this facility. At December 31, 2019, the Corporation is in compliance with this covenant.

This credit facility is scheduled for its next annual review on May 31, 2020, but may be set at an earlier or later date at the sole discretion of the Lender.

c) Temporary bridge loan

On June 14, 2019 the Corporation entered into an agreement for a temporary bridge loan facility with a financial institution that could not exceed the lesser of $2,000,000 and 50% of the sales price of unconditional sales contracts relating to the Corporation's multi-family project being constructed (note 7). The facility was only available by way of one advance that was made prior to June 30, 2019. Amounts not drawn at that date were cancelled and no longer available to the Corporation.

8. Credit facilities (continued)

The temporary bridge loan was payable in full on demand by the Lender. Interest was payable monthly at an annual rate of prime plus 0.70% and a mandatory repayment of the balance of all amounts owing under the facility to be repaid with 100% of the net sale proceeds of each unit from the multi-family project, with the balance of all amounts owing under the facility being due and payable by August 15, 2019.

Borrowings under this facility were secured by an irrevocable assignment of sales proceeds up to a maximum of $2,000,000 with respect to the eligible units financed under the facility. The City of Calgary subordinates and postponed security interest (see Note 9) as it related to any eligible units financed under this facility.

During the year ended December 31, 2019, all amounts drawn were fully repaid and the facility was cancelled by the Lender.

9. 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, 2019 (2018 - $3,278,804). The book value of the properties secured by the mortgage is $4,625,904 (2018 - $4,643,809). 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 default, the mortgage becomes immediately due and payable and interest will begin to be charged at a rate that 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 is required to maintain an interest coverage ratio of at least 1.25:1 and a total debt ratio of no greater than 3:1. The Corporation met the total debt ratio but was in default on the interest coverage ratio at December 31, 2019 and 2018. On November 5, 2019, the City of Calgary provided a waiver for the breach of the covenant and any associated enforcement to its right to remedy as at December 31, 2018. On March 19, 2020, the Corporation amended its credit agreement with the City of Calgary, to remove the interest coverage ratio, effective November 18, 2019.

10. 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 a funding surplus. 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, 2019, the expense funded and recognized by the Corporation was $79,845 (2018 - $66,671), which has been included in salaries and benefits on the statement of operations.

11. Tangible capital assets

			December 31, 2019
	Cost $	Accumulated Amortization $	**Net Book Value** **$**
Computers	68,546	54,580	**13,966**
Office equipment and furniture	62,132	55,431	**6,701**
Leasehold improvements	98,482	94,756	**3,726**
Total tangible capital assets	229,160	204,767	**24,393**

			December 31, 2018
	Cost $	Accumulated Amortization $	Net Book Value $
Computers	67,118	48,333	18,785
Office equipment and furniture	62,132	51,994	10,138
Leasehold improvements	98,482	90,933	7,549
Total tangible capital assets	227,732	191,260	36,472

12. Gross margin

Gross margin consists of the following:

	2019				2018
	Developed Inventory $	Purchased Inventory $	Agency Sales $	**Total $**	Total $
Sales	7,672,333	13,100,535	155,688	**20,928,556**	12,891,991
Cost of sales	7,553,246	12,865,817	-	**20,419,063**	12,461,203
	119,087	234,718	155,688	**509,493**	430,788

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, 2019 and December 31, 2018 one share was issued and outstanding.

14. Accumulated operating surplus

Accumulated operating surplus consists of:

	2019	2018
Operating reserve	**$ 1,000,000**	$ 1,000,000
Unrestricted surplus	**10,588,070**	12,738,220
	$ 11,588,070	$ 13,738,220

During the year ended December 31, 2016, the Board of Directors of the Corporation approved a transfer of $1,000,000 to the operating reserve. The Corporation funded 50% of the reserve in 2016, which is kept in a separate bank account. The remaining reserve will be funded through future operating surpluses.

During the year ended December 31, 2019, the Corporation accessed the operating reserve, with Board approval, and the reserve was replenished during the year upon the closing of sales from its multi-family project.

15. Contractual obligations

At December 31, 2019 the Corporation has the following contractual obligations:

a) 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.

The contractual obligations related to these contracts are as follows:

(i) During the year ended December 31, 2018, the Corporation entered into an agreement to purchase up to 36 inventory units for $8,665,930, less deposits of $433,297 paid, to be purchased in two tranches, beginning in March 2019. The Corporation shall not be required to complete more than five closings per calendar month, unless the Corporation determines in its sole discretion to increase such amounts.

In the case that the Corporation has not sold a Unit by the applicable Unit Closing Date, the Corporation may choose to reimburse the builder for the carrying costs for the units, rather than closing on them as the Corporation may choose in its sole discretion.

During the year ended December 31, 2019 the Corporation purchased 10 units and elected to defer purchasing 26 units and incurred carrying costs of $73,908 (2018 - $nil) on the deferred units. These carrying costs are included in inventory carrying costs on the statement of operations.

Once the Corporation has achieved eighteen unconditional sales, an appraisal will be conducted on one unit type to determine if values have increased or decreased. In the case that values have increased to a point where the Unit value has increased by $7,500 or greater (exclusive of net GST), then the Unit Purchase Price shall increase by the difference between the original agreed upon Unit price and 89% of the updated appraisal value, but in no event shall the Unit Purchase Price for unit increase by greater than 10%, for the remaining 18 units. In the case of a decrease in value, a similar adjustment will be made to ensure the Unit Purchase Price remains 89% of the market value on remaining Units.

As at December 31, 2019, the Corporation is committed to purchase 26 remaining units for $6,538,261 less deposits of $311,812 previously paid for a total commitment of $6,226,449. Subsequent to year end, 8 units were purchased for $2,009,674 less the deposits of $96,165, previously paid.

(ii) During the year ended December 31, 2018, the Corporation entered into an agreement to purchase up to 24 inventory units for $6,551,738 less deposits of $327,587. If the Corporation does not have a firm sale in place, once an occupancy permit has been issued by the City of Calgary on a substantially completed unit, the Corporation will close the purchase within 30 days thereafter up to a maximum of 2 units per month starting no sooner than May 1, 2019.

In lieu of closing on a unit, the Corporation, at its own discretion, will pay the builder's carrying costs for the said unit until a firm sale with the Corporation's purchaser occurs.

15. Contractual obligations (continued)

During the year ended December 31, 2019 the Corporation purchased 5 units and elected to defer purchasing 7 units that had received occupancy permits and incurred carrying costs of $1,046 (2018 - $nil) on the deferred units. These carrying costs are included in inventory carrying costs on the statement of operations. 5 units have yet to receive occupancy permits.

During the year ended December 31, 2019 amendments were made to Purchase Agreements for price reductions on units committed to as well as amending to remove 7 units originally agreed to be purchased. The deposits on these 7 units were released back to the Corporation during the year (note 4).

As at December 31, 2019, the Corporation is committed to purchase 12 remaining units for $2,952,590 less deposits of $206,993 previously paid for a total commitment of $2,745,597. Subsequent to year end, the Corporation closed on 6 units, satisfying $1,380,292 of the committed amount. Of the 12 remaining units at December 31, 2019, 1 unit is under addendum to release back to the builder upon its firm sale by the builder. Once released, the deposit of $12,750 will be released to the Corporation and the obligation to purchase will be reduced by $218,944.

(b) During the year ended December 31, 2019, the Corporation entered into an agreement with Enmax, a wholly owned subsidiary of the City of Calgary, for a commercial solar deferred payment purchase agreement, relating to the purchase and installation of solar panels for the multi-family dwelling currently under development (note 7). The total purchase price associated with this agreement is $915,200 plus GST. Of this, $288,000 is due on or before the Commercial Operation Date, which will be as each building's solar panels are installed, inspected and ready to be activated. The remaining amount is payable as a monthly amount of $4,331.33 for the next 15 years. Upon the formation of a condominium corporation this contract will be assigned to the condominium corporation and the Corporation will be relieved of its commitment at that time. During the year ended December 31, 2019, the Corporation incurred $72,000 of the $288,000 initial fee which has been included in projects under development and construction (note 7), a portion of which has been transferred to inventory (note 3) upon completion of the applicable buildings.

(c) The Corporation has a lease commitment for its office lease that ends on December 31, 2023 as follows:

2020	13,368
2021	22,280
2022	26,736
2023	31,192
	$ 93,576

16. Financial instruments

Financial instruments consist of cash, accounts receivables, equity receivable, other deposits, accounts payable, credit facilities, mortgages payable and customer deposits. The carrying value of the cash, accounts receivable, other deposits, accounts payable, and customer deposits approximates their fair value due to the short term nature of these financial instruments. The carrying value of equity receivables approximate their fair value due to the loans being carried at their minimum repayments. The carrying value of the credit facilities approximates fair value due to the facilities bearing interest at market rates. The estimated fair value of the mortgages payable is $3,173,645 (2018 – $3,076,630). Calculation of the estimated fair value of the mortgages payable is based on lending rates published at December 31, 2019 for loans with comparable maturities from the City's primary lender, the Alberta Capital Finance Authority ("ACFA").

a) **Interest rate risk**

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

b) **Credit risk**

Credit risk is the risk that one party'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, accounts receivable, equity receivable and other deposits.

The Corporation mitigates its exposure to credit loss by placing its cash with major financial institutions and in lawyers' trust accounts. Accounts receivable primarily relates to grant revenue that was received subsequent to year end and other deposits is a refundable deposit due from the Corporation's landlord. Credit risk associated with equity receivables are 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, credit facilities, mortgages payable and customer deposits. As at December 31, 2019, the Corporation has available $3,748,250 relating to its revolving credit facility, and $nil relating to its term loan facility (Note 8). The Corporation anticipates that it will be able to repay all financial liabilities as they come due so long as it continues to receive support from its lenders (note 1).

16. Financial instruments (continued)

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's financial instruments are not subject to substantial market risk.

17. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.