Financial Statements

For the year ended December 31, 2021

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, 2021 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, 2021, and its financial performance and its cash flows for the year then ended 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 that the Corporation incurred a net loss of $1,112,698 and negative cash flows from operating activities of $1,966,768 during the year ended December 31, 2021. As stated in Note 1, these events, or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Corporation’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information in the 2021 Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not 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 when it becomes available 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 2021 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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
March 11, 2022
Calgary, Alberta

Attainable Homes Calgary Corporation
Statement of Financial Position
As at December 31, 2021
(with comparatives as at December 31, 2020)

		2021		2020
ASSETS				
Cash (Note 13)	**$**	**698,393**	$	634,611
Accounts receivable		**17,958**		96,771
Prepaid expenses		**3,968**		88,701
Inventory (Note 3)		**3,431,209**		3,892,874
Deposits on units (Notes 4 and 14)		**165,704**		75,915
Other deposits		**11,811**		11,811
Equity receivables (Note 5)		**5,459,549**		5,410,779
Land and site development costs		**4,639,715**		4,631,228
Projects under development and construction (Note 6 and 14)		**4,518,130**		3,174,857
Tangible capital assets (Note 7)		**9,375**		13,341
Total assets	**$**	**18,955,812**	$	18,030,888
LIABILITIES				
Accounts payable and accrued liabilities	**$**	**738,390**	$	714,083
Provision to complete construction		**76,000**		156,678
Credit facilities (Note 8)		**5,344,630**		3,641,142
Mortgages payable (Note 9)		**3,278,804**		2,948,234
Customer deposits		**181,440**		117,790
Deferred rent expense		**20,825**		24,540
Unearned revenue		**782**		782
Total liabilities		**9,640,871**		7,603,249
NET ASSETS				
Share capital (Note 12)		**1**		1
Operating reserve (Note 13)		**1,000,000**		1,000,000
Unrestricted surplus (Note 13)		**8,314,940**		9,427,638
Total net assets		**9,314,941**		10,427,639
Total liabilities and net assets	**$**	**18,955,812**	$	18,030,888

Going concern (Note 1)
Contractual obligations (Note 14)
Subsequent events (Note 14)

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, 2021
(with comparatives for the year ended December 31, 2020)

	2021	2020
Sales	**$ 12,268,798**	$ 14,466,357
Cost of sales	**11,458,278**	13,433,209
Gross margin (Note 11)	**810,520**	1,033,148
Other income	**41,361**	126,961
	851,881	1,160,109
EXPENSES		
Salaries and benefits (Note 10)	**1,118,142**	1,075,859
Professional fees	**148,630**	283,443
Marketing and sales	**183,571**	313,873
Occupancy expenses	**61,606**	105,411
General and administrative	**64,366**	58,902
Inventory carrying costs (Note 4)	**111,935**	324,278
Interest expense	**185,017**	110,654
	1,873,267	2,272,420
DEFICIENCY BEFORE THE FOLLOWING:	**(1,021,386)**	(1,112,311)
Amortization of tangible capital assets (Note 7)	**7,474**	11,052
Realized loss on equity receivables (Note 5)	**83,838**	36,816
Bad debt expense	**-**	253
	91,312	48,121
OPERATING DEFICIENCY	**$ (1,112,698)**	$ (1,160,432)

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation

Statement of Changes in Net Assets

Year ended December 31, 2021
(with comparatives for the year ended December 31, 2020)

	2021	2020
NET ASSETS, BEGINNING OF YEAR	**$ 10,427,639**	$ 11,588,071
OPERATING DEFICIENCY	**(1,112,698)**	(1,160,432)
NET ASSETS, ENDING OF YEAR	**$ 9,314,941**	$ 10,427,639

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation

Statement of Cash Flows

Year ended December 31, 2021
(with comparatives for the year ended December 31, 2020)

	2021	2020
CASH PROVIDED BY (USED IN):		
OPERATING		
Operating deficiency	$ (1,112,698)	$ (1,160,432)
Non-cash and non-operating items:		
Amortization of tangible capital assets	7,474	11,052
Amortization of deferred financing costs	-	11,584
	(1,105,224)	(1,137,796)
Non-cash working capital and other operating balances:		
Accounts receivable	78,813	(38,705)
Prepaid expenses	84,733	(49,479)
Deposits on units	(89,789)	442,890
Inventory	461,665	1,477,578
Equity receivables	(48,770)	(90,081)
Land and site development costs	(8,487)	(5,324)
Projects under development and construction	(1,343,273)	1,137,752
Accounts payable and accrued liabilities	24,307	136,242
Provision to complete construction	(80,678)	68,412
Customer deposits	63,650	(21,877)
Deferred rent expense	(3,715)	5,198
Unearned revenue	-	(6,155)
	(861,544)	3,056,451
Cash provided by (used in) operating activities	(1,966,768)	1,918,655
CAPITAL TRANSACTIONS		
Purchases of tangible capital assets	(3,508)	-
Cash used in capital activities	(3,508)	-
FINANCING TRANSACTIONS		
Mortgage repayment	330,570	(330,570)
Proceeds from credit facilities	17,326,419	6,788,495
Repayment of credit facilities	(15,622,931)	(9,080,673)
Payment of deferred financing costs	-	12,010)
Cash (used in) provided by financing activities	2,034,058	(2,634,758)
Increase (decrease) in cash, during the year	63,782	(716,103)
Cash, beginning of year	634,611	1,350,714
Cash, end of year	$ 698,393	$ 634,611

See accompanying notes to the financial statements.

1. Nature of the business and going concern

Nature of 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.*

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company incurred an operating deficiency of $1,112,698 (2020 - $1,160,432) and a negative cash flows from operations of $1,966,768 (2020 - positive $1,918,655). The company’s ability to continue as a going concern is dependent on continued support from its creditors and shareholders and generating a profit from their operations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the corporation to continue as a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption were inappropriate. These adjustments could be material.

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 income includes application fees, interest income, 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.

2. Significant accounting policies (continued)

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.

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, as well as costs transferred from projects under development and construction (Note 2(f)) as buildings are completed. 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 5) and when the amount of the loan can be reliably measured. This normally coincides with the disbursement of funds and sale of a housing unit.

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.

2. Significant accounting policies (continued)

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.

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.

2. Significant accounting policies (continued)

When conditions indicate that a tangible capital asset 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 is less than its net book value, the cost of the tangible capital asset, is reduced to reflect the decline in the asset's value. The net write-down of tangible capital assets is included in the statement of operations and is not reversed.

h) Financial instruments and fair values

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

i) 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. The movement in inventory during the year consists of the following:

	2021		2020	
	Units	**$**	Units	$
Balance, beginning of year	**18**	**3,892,874**	23	5,370,452
Purchases	**25**	**6,496,244**	38	8,839,859
Transfers from projects under development	**16**	**4,500,369**	14	3,115,772
Inventory sold	**(46)**	**(11,458,278)**	(57)	(13,433,209)
Balance, end of year	**13**	**3,431,209**	18	3,892,874

4. Deposits on units

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

	2021		2020	
	Units	**$**	Units	$
Balance, beginning of year	**6**	**75,915**	38	518,805
Additions	**28**	**363,338**	6	75,915
Carrying costs incurred	**-**	**-**	-	178,959
Possessions	**(9)**	**(113,582)**	(38)	(518,805)
Brought into inventory	**(12)**	**(159,967)**	-	-
Write-off of carrying costs	**-**	**-**	-	(178,959)
Balance, end of year	**13**	**165,704**	6	75,915

During the year, the Corporation has paid $363,338 (2020 - $75,915) in non-refundable deposits for 28 (2020 – 6) housing units. As at December 31, 2021, 3 of the units included in the purchase agreement and 6 units included in the beginning balance have been possessed, reducing the deposit balance by $113,582. During the year ended December 31, 2021, a Purchase Agreement was signed to acquire 12 units. A non-refundable deposit of $159,967 was paid. As at December 31, 2021, all 12 of the units have been brought into inventory, reducing the deposit balance by $159,967. The balance at the end of the year 5 units are to be acquired by March 1, 2022 with the remaining 8 to be acquired by December 31, 2022.

As at December 31, 2021, the 6 units included in the beginning balance were sold through the program, reducing the deposit balance by $75,915.

5. 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.

5. Equity receivables (continued)

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%

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:

	2021	2020
Face value of equity receivable, beginning of year	**$ 8,431,698**	$ 8,708,445
Add: Value of loans in the year	**547,191**	585,449
Less: Value of loans settled in the year	**(746,584)**	(862,246)
Face value of equity receivable, end of year	**8,232,305**	8,431,698
Net recoverable allowance, beginning of year	**3,020,919**	3,387,747
Less: Net recoverable allowance on loans settled in the year	**(248,163)**	(366,828)
Net recoverable allowance, end of year	**2,772,756**	3,020,919
Equity receivable, net, end of year	**$ 5,459,549**	$ 5,410,779

During the year ended December 31, 2021, $861,038 (2020 - $862,246) of gross equity receivables, net of previously recorded allowances of $362,618 (2020 - $366,828) were settled for cash proceeds of $414,582 (2020 - $458,602) resulting in a realized loss of $83,838 (2020 - $36,816) which has been included in the statement of operations.

5. Equity receivables (continued)

During the year ended December 31, 2021, and 2020, no additional allowances were recorded or reversed as it was determined that the carrying value of all equity receivables reflected their net recoverable amount.

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

6. 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:

	2021	2020
Opening balance	**$ 3,174,857**	$ 4,312,609
Cost incurred:		
Project costs	**5,843,642**	1,978,020
Transfers to inventory	**(4,500,369)**	(3,115,772)
Closing balance	**$ 4,518,130**	$ 3,174,857

7. Tangible capital assets

	December 31, 2021		
	Cost $	**Accumulated Amortization $**	**Net Book Value $**
Computers	**29,543**	**21,775**	**7,768**
Office equipment and furniture	**15,452**	**13,845**	**1,607**
Leasehold improvements	**9,197**	**9,197**	**-**
Total tangible capital assets	**54,192**	**44,817**	**9,375**

	December 31, 2020		
	Cost $	Accumulated Amortization $	Net Book Value $
Computers	26,035	17,192	8,843
Office equipment and furniture	15,452	11,619	3,833
Leasehold improvements	9,197	8,532	665
Total tangible capital assets	50,684	37,343	13,341

8. Credit facilities

Credit facilities outstanding consist of $2,196,716 (2020 - $3,641,142) under the revolving operating facility and $3,147,914 (2020 - $NIL) under the evergreen facility.

a) Revolving operating facility

During the year, the Corporation entered into a new agreement that replaced a previous facility with the same financial institution. The Corporation has available a $10 million revolving operating credit facility that is due February 28, 2023, with an option to extend for an additional 365 days, at the discretion of the lender. The credit facility is available by way of prime-based loans, guaranteed notes and up to $975,000 of letters of credit.

Interest is payable monthly at an annual rate of prime less 0.75%. As at December 31, 2021 the Corporation had $2,516,984 (2020 - $4,001,996) outstanding on the credit facility, comprised of $2,196,716 (2020 - $3,641,142) outstanding on the revolving credit facility, and three (2020 - four) letters of credit of $320,268 (2020 - $360,854) in favour of The City of Calgary that expire between June 29, 2022 and September 19, 2022 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

During the year, the Corporation entered into a new agreement that replaced a previous facility with the same lender, for a $10 million evergreen loan facility. The facility is non-revolving, and amounts repaid may not be reborrowed for the construction project. However, amounts that are requested for the purposes of inventory purchases and are repaid may be reborrowed.

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. Interest is payable monthly at an annual rate of prime plus 0.35%.

With respect to all borrowings for inventory purchases, a mandatory repayment of 100% of net sale proceeds of each unit is to be applied as a principal repayment under the facility. The balance of all amounts owing under each advance are payable by the end of twelve months from the date of such advance.

With respect to all borrowings for the construction project, a mandatory repayment of 95% of net sale proceeds of each unit is to be applied as a principal repayment under the facility. The balance of all amounts owing under each advance are payable by the end of twenty-four months from the date of such advance.

8. Credit facilities (continued)

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) as it relates to any eligible units financed under this facility. The book value of the assets secured under this facility is $7,401,514 (2020 - $nil).

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, 2021, the Corporation is in compliance with this covenant.

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. On August 3, 2021, the agreement was amended so that the maturity date of the Mortgage was extended to the earlier of (i) August 3, 2023, (ii) in the event the Corporation sells any parcel of land, then that portion of the principal sum allocated to the sold parcel as outlined in the Mortgage agreement is repayable on the date on which the Corporation receives the net proceeds of the sale 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, 2021 (2020 - $2,948,234). The balance outstanding as at December 31, 2020 of $2,948,234 is net the demolition costs of $330,570. This amount was paid by the Corporation in fiscal 2020 and reimbursed by The City in fiscal 2021. The book value of the properties secured by the mortgage is $4,639,715 (2020 - $4,631,228). 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 a total debt ratio of no greater than 3:1, calculated annually. At December 31, 2021, the Corporation is in compliance with this covenant.

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.

10. Pension plan (continued)

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, 2021, the expense funded and recognized by the Corporation was $99,877 (2020 - $85,588), which has been included in salaries and benefits on the statement of operations.

11. Gross margin

Gross margin consists of the following:

				2021	2020
	Developed Inventory $	Purchased Inventory $	Agency Sales $	**Total $**	Total $
Sales	6,358,169	5,819,039	91,590	**12,268,798**	14,466,357
Cost of sales	6,022,039	5,436,239	-	**11,458,278**	13,433,209
Gross Margin	336,130	382,800	91,590	**810,520**	1,033,148
Gross Margin %				**6.61%**	7.14%

12. 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, 2021 and December 31, 2020 one share was issued and outstanding.

13. Accumulated operating surplus

Accumulated operating surplus consists of:

	2021	2020
Operating reserve	**$ 1,000,000**	$ 1,000,000
Unrestricted surplus	**8,314,940**	9,427,638
	$ 9,314,940	$ 10,427,638

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.

14. Contractual obligations

At December 31, 2021, the Corporation has the following contractual obligations:

a) During the year ended December 31, 2021, the Corporation entered into a purchase agreement to purchase 16 inventory units for $4,067,424 less non-refundable deposit previously paid of $203,371 (Note 4). The Corporation is committed to purchase the first 8 units not sold to a third party on March 1, 2022, and purchase the remaining 8 units not sold to a third party on December 31, 2022.

b) During the year ended December 31, 2019, the Corporation entered into an agreement with Enmax, a wholly owned subsidiary of The City, 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 6). In November 2020, the agreement was amended for renegotiations of the purchase price and terms of payment. The total purchase price associated with this agreement is $891,200 plus GST. Of this, $299,734 plus GST 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. This amount is to be paid by AHC. To date, the Corporation has incurred $169,075 of the $299,734 initial fee, of which $91,776 (2020 - $nil) was incurred during the year ended December 31, 2021, and has been included in projects under development and construction (Note 6), a portion of which has been transferred to inventory (Note 3) upon completion of the applicable buildings.

The remaining amount, $591,466, is payable as a monthly amount ranging from $169 to $697/building, determined by the proportional share of solar panel coverage of each building, for the next 15 years and will commence on the first of the month following the Commercial Operation Date. The monthly payments are the responsibility of the condominium corporation, and the solar repayment is collected as a portion of the condominium fee paid by each owner on a monthly basis.

14. Contractual obligations (continued)

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

2022	26,736
2023	31,192
	$ 57,928

15. Financial instruments

Financial instruments consist of cash, accounts receivables, other deposits, equity receivable, accounts payable and accrued liabilities, credit facilities, mortgages payable and customer deposits.

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 refundable deposits 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, 2021, the Corporation has available $7,483,016 relating to its revolving operating facility, and $6,852,085 relating to its evergreen 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).