



Financial Statements
For the year ended December 31, 2023

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, 2023, and the statements of operations, change 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, 2023, and its results of operations 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.

Other Information

Management is responsible for the other information. The other information comprises the information in the 2023 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 2023 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.

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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 Canada LLP

Chartered Professional Accountants
April 10, 2024
Calgary, Alberta

Attainable Homes Calgary Corporation

Statement of Financial Position

As at December 31, 2023
(with comparatives as at December 31, 2022)

	2023	2022
ASSETS		
Cash	\$ 493,395	\$ 2,128,513
Accounts receivable	73,541	18,451
Prepaid expenses	9,085	4,811
Inventory (Note 3)	615,780	1,462,108
Deposits on units (Note 4)	-	386,272
Other deposits	11,811	11,811
Equity receivables (Note 5)	5,133,723	5,364,407
Land and site development costs (Note 7)	1,779,249	4,637,586
Projects under development and construction (Note 6)	-	396,883
Rental properties (Note 7)	5,313,244	-
Tangible capital assets (Note 8)	2,249	4,720
	\$ 13,432,077	\$ 14,415,562
LIABILITIES		
Accounts payable and accrued liabilities	\$ 556,146	\$ 704,671
Provision to complete construction	-	427,934
Credit facilities (Note 9)	694,240	-
Mortgages payable (Note 10)	3,278,804	3,278,804
Customer deposits	4,615	64,000
Deferred rent expense	-	12,654
Unearned revenue	329,900	640,000
	4,863,705	5,128,063
NET ASSETS		
Share capital (Note 13)	1	1
Operating reserve (Note 14)	1,000,000	1,000,000
Unrestricted surplus (Note 14)	7,568,371	8,287,498
	8,568,372	9,287,499
Total net assets	8,568,372	9,287,499
Total liabilities and net assets	\$ 13,432,077	\$ 14,415,562

Contractual obligations (Note 15)

See accompanying notes to the financial statements.

On behalf of the Board

(signed) "John Kozole", Director

(signed) "Mavin Gill", Director

Attainable Homes Calgary Corporation

Statement of Operations

Year ended December 31, 2023

(with comparatives for the year ended December 31, 2022)

	2023	2022
Sales	\$ 4,556,779	\$ 19,729,501
Cost of sales	<u>4,263,664</u>	<u>18,300,778</u>
Gross margin (Note 12)	293,115	1,428,723
Other income	<u>4,373</u>	<u>20,292</u>
	<u>297,488</u>	<u>1,449,015</u>
EXPENSES		
Salaries and benefits (Note 11)	1,136,033	1,080,131
Professional fees	138,205	118,536
Marketing and sales	171,618	226,119
Occupancy expenses	82,244	85,081
General and administrative	73,659	73,638
Inventory carrying costs	236,289	96,201
Interest expense	<u>41,384</u>	<u>51,000</u>
	<u>1,879,432</u>	<u>1,730,706</u>
DEFICIENCY BEFORE THE FOLLOWING:	<u>(1,581,944)</u>	<u>(281,691)</u>
Amortization of tangible capital assets (Note 8)	2,471	4,655
Unrealized gain on equity receivables (Note 5)	(190,655)	-
Realized gain on equity receivables (Note 5)	<u>(674,633)</u>	<u>(258,904)</u>
	<u>(862,817)</u>	<u>(254,249)</u>
OPERATING DEFICIENCY	<u>\$ (719,127)</u>	<u>\$ (27,442)</u>

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation

Statement of Changes in Net Assets

Year ended December 31, 2023

(with comparatives for the year ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
NET ASSETS, BEGINNING OF YEAR	\$ 9,287,499	\$ 9,314,941
OPERATING DEFICIENCY	<u>(719,127)</u>	<u>(27,442)</u>
NET ASSETS, ENDING OF YEAR	<u>\$ 8,568,372</u>	<u>\$ 9,287,499</u>

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation

Statement of Cash Flows

Year ended December 31, 2023

(with comparatives for the year ended December 31, 2022)

	2023	2022
CASH PROVIDED BY (USED IN):		
OPERATING		
Operating deficiency	\$ (719,127)	\$ (27,442)
Non-cash and non-operating items:		
Amortization of tangible capital assets	<u>2,471</u>	<u>4,655</u>
	<u>(716,656)</u>	<u>(22,787)</u>
Non-cash working capital and other operating balances:		
Accounts receivable	(55,090)	(493)
Prepaid expenses	(4,274)	(843)
Deposits on units	386,272	(220,568)
Inventory	846,328	1,969,101
Equity receivables	230,684	95,142
Land and site development costs	-	2,129
Projects under development and construction	396,883	4,121,247
Accounts payable and accrued liabilities	(148,525)	(33,719)
Provision to complete construction	(427,934)	351,934
Customer deposits	(59,386)	(117,440)
Deferred rent expense	(12,654)	(8,171)
Unearned revenue	<u>(310,100)</u>	<u>639,218</u>
	<u>842,204</u>	<u>6,797,537</u>
Cash provided by operating activities	<u>125,548</u>	<u>6,774,750</u>
FINANCING TRANSACTIONS		
Proceeds from credit facilities	4,298,912	16,448,365
Repayment of credit facilities	<u>(3,604,672)</u>	<u>(21,792,995)</u>
Cash (used in) provided by financing activities	<u>694,240</u>	<u>(5,344,630)</u>
INVESTING TRANSACTION		
Capital expenditures on rental property	<u>(2,454,906)</u>	<u>-</u>
Cash (used in) investing activities	<u>(2,454,906)</u>	<u>-</u>
Increase (decrease) in cash, during the year	(1,635,118)	1,430,120
Cash, beginning of year	<u>2,128,513</u>	<u>698,393</u>
Cash, end of year	<u>\$ 493,395</u>	<u>\$ 2,128,513</u>

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2023

(with comparatives as at and for the year ended December 31, 2022)

1. Nature of the business

Nature of business

Attainable Homes Calgary Corporation (the "Corporation" or "AHC"), 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. AHC's mandate is to create non-market affordable housing on development-ready land on behalf of the City of Calgary and its citizens. The Corporation provides moderate-income Calgarians an opportunity for home ownership and to access purpose-built rental housing. The Corporation is exempt from tax under the *Canada Income Tax Act*.

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 and unearned revenue.

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.

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 over the term of the lease, when the amount is fixed or determinable and the collectability is reasonably assured. 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(g)) 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.

Attainable Homes Calgary Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2023

(with comparatives as at and for the year ended December 31, 2022)

2. Significant accounting policies (continued)

d) Rental Properties

Rental properties consist of residential property being constructed to earn rental income. Rental properties are initially measured at cost. Cost includes all amounts relating to the acquisition and improvement of the properties. All costs associated with construction, upgrading, and extending the economic life of land and buildings, other than ordinary repairs and maintenance, are capitalized to the rental property until construction is complete, and the property is ready for its intended use as a rental property. Subsequent to initial recognition, rental properties are recorded at cost less accumulated depreciation.

Depreciation of buildings is calculated using the straight-line method with reference to each property's cost, the estimated useful life of the building, its components and residual value.

Depreciation methods, useful lives and residual values are reviewed annually and adjusted as required.

Rental property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected. Any gains or losses on the retirement or disposal of investment property are recognized in the statement of operations in the year of retirement or disposal.

Gains or losses on the disposal of rental property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred.

Rental properties are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed its fair value. Impairment is assessed by comparing the carrying amount to its fair value. When the carrying amount exceeds its fair value, an impairment loss is recognized in the amount equal to the excess. An impairment loss is not reversed if the fair value subsequently increases.

e) 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.

Attainable Homes Calgary Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2023

(with comparatives as at and for the year ended December 31, 2022)

2. Significant accounting policies (continued)

f) 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.

g) 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.

Attainable Homes Calgary Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2023

(with comparatives as at and for the year ended December 31, 2022)

2. Significant accounting policies (continued)

h) Tangible capital assets

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

	Years
Computers	5
Office equipment and furniture	5
Leasehold improvements	3

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

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.

i) Financial instruments and fair values

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

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.

Attainable Homes Calgary Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2023

(with comparatives as at and for the year ended December 31, 2022)

3. Inventory

Inventory consists entirely of housing units held for re-sale. The movement in inventory during the year consists of the following:

	2023		2022	
	Units	\$	Units	\$
Balance, beginning of year	6	1,462,108	13	3,431,209
Purchases	14	3,417,336	20	5,158,323
Transfers from projects under development	-	-	50	11,173,354
Inventory sold	(18)	(4,263,664)	(77)	(18,300,778)
Balance, end of year	2	615,780	6	1,462,108

4. Deposits on units

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

	2023		2022	
	Units	\$	Units	\$
Balance, beginning of year	11	386,272	13	165,704
Additions	3	866,511	18	170,500
Addition (without land title)	-	-	1	275,000
Possessions	(12)	(702,677)	(18)	(204,932)
Brought into inventory	(2)	(550,106)	(3)	(20,000)
Balance, end of year	-	-	11	386,272

During the year, the Corporation has paid \$866,511 (2022 - \$170,500) in non-refundable deposits for 3 (2022 - 18) housing units. As at December 31, 2023, the Corporation also paid \$nil (2022 - \$275,000) for nil units (2022 - 1 unit) that has not received the land title. During the year, the Corporation has taken possession of 1 of the units (2022 - 5 units) included in the purchase agreements and 11 units (2022 - 13 units) included in the beginning balance, reducing the deposit balance by \$702,677 (2022 - \$204,932). During the year ended December 31, 2023, Purchase Agreements were signed to acquire 2 units (2022 - 3 units). A non-refundable deposit of \$550,106 was paid. As at December 31, 2023, all 2 of the units (2022 - 3 units) have been brought into inventory, reducing the deposit balance by \$550,106 (2022 - \$20,000). The balance at the end of the year is \$nil (2022 - \$386,272).

As at December 31, 2023, the 11 units (2022 - 13 units) included in the beginning balance were sold through the program, reducing the deposit balance by \$386,272 (2022 - \$165,704).

Attainable Homes Calgary Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2023

(with comparatives as at and for the year ended December 31, 2022)

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.

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:

<u>Length of ownership of the unit by the customer</u>	% 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:

<u>Length of ownership of the unit by the customer</u>	% 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%

Attainable Homes Calgary Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2023

(with comparatives as at and for the year ended December 31, 2022)

5. Equity receivables (continued)

Equity receivables consist of the following:

	<u>2023</u>	<u>2022</u>
Face value of equity receivable, beginning of year	\$ 7,664,536	\$ 8,232,305
Add: Value of loans in the year	116,251	628,881
Less: Value of loans settled in the year	<u>(851,164)</u>	<u>(1,196,650)</u>
Face value of equity receivable, end of year	<u>6,929,623</u>	<u>7,664,536</u>
Net recoverable allowance, beginning of year	2,300,129	2,772,756
Less: decrease in foreclosure allowance	(190,655)	-
Less: Net recoverable allowance on loans settled in the year	<u>(313,574)</u>	<u>(472,627)</u>
Net recoverable allowance, end of year	<u>1,795,900</u>	<u>2,300,129</u>
Equity receivable, net, end of year	<u>\$ 5,133,723</u>	<u>\$ 5,364,407</u>

During the year ended December 31, 2023, \$851,164 (2022 - \$1,196,650) of gross equity receivables, net of previously recorded allowances of \$313,574 (2022 - \$472,627) were settled for cash proceeds of \$1,212,223 (2022 - \$982,927) resulting in a realized gain of \$674,633 (2022 - \$258,904) which has been included in the statement of operations.

During the year ended December 31, 2023, the Corporation has decreased the foreclosure allowance by \$190,655 (2022 - \$nil). No other 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 consisted of land and development costs on two multi-family projects in Calgary of which one was completed during 2022. The Corporation changed their plans for the second project and have decided to develop the second project as a purpose-built rental apartment building and has transferred the costs to rental properties on the statement of financial position.

	<u>2023</u>	<u>2022</u>
Opening balance	\$ 396,883	\$ 4,518,130
Cost incurred:		
Project costs	-	7,052,107
Transfers to inventory	-	(11,173,354)
Transfers to rental property	<u>(396,883)</u>	<u>-</u>
Closing balance	<u>\$ -</u>	<u>\$ 396,883</u>

Attainable Homes Calgary Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2023
(with comparatives as at and for the year ended December 31, 2022)

7. Rental properties

	December 31, 2023		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Land	2,874,769	-	2,874,769
Property under construction	2,438,475	-	2,438,475
Total rental properties	5,313,244	-	5,313,244

As a result of the Corporation's change in plans for their Perpetually Affordable Housing Project, the Corporation has transferred \$396,883 of costs from Projects under development and construction and \$2,858,337 from Land and site development costs to Rental properties to reflect the change in the intended use for the land.

8. Tangible capital assets

	December 31, 2023		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Computers	29,543	27,294	2,249
Office equipment and furniture	15,452	15,452	-
Leasehold improvements	9,197	9,197	-
Total tangible capital assets	54,192	51,943	2,249

	December 31, 2022		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Computers	29,543	25,170	4,373
Office equipment and furniture	15,452	15,105	347
Leasehold improvements	9,197	9,197	-
Total tangible capital assets	54,192	49,472	4,720

Attainable Homes Calgary Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2023

(with comparatives as at and for the year ended December 31, 2022)

9. Credit facilities

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 on June 30, 2026. 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, 2023 the Corporation had \$1,049,040 (2022 - \$111,393) outstanding on the credit facility, comprised of \$694,240 (2022 - \$nil) outstanding on the revolving credit facility, and one (2022 –two) letters of credit of \$354,800 (2022 - \$111,393) in favour of The City of Calgary that expires on July 20, 2024 and renews 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 be reborrowed at the lender's sole discretion.

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. There are no amounts outstanding on the Evergreen facility as at December 31, 2023 (2022 - \$nil). Interest is payable monthly at an annual rate of prime plus 0.35%.

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.

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 10) as it relates to any eligible units financed under this facility. The book value of the assets secured under this facility is \$nil (2022 - \$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, 2023, the Corporation is in compliance with this covenant.

Attainable Homes Calgary Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2023

(with comparatives as at and for the year ended December 31, 2022)

9. Credit facilities (continued)

c) Non-revolving demand loan facility

During the year, the Corporation entered into a new agreement for a non-revolving demand loan with the same financial institution. The facility is to assist with Canada Mortgage and Housing Corporation insured construction of a 6-storey, 70-unit rental apartment building. The maximum amount available under the facility will not exceed the lesser amount of (i) \$22,967,375, and (ii) 86% of the eligible project costs associated with the project lands.

The advance is available by way of progress draws but not more than one per month. Advances under this facility will be determined by the lesser of (i) eligible project costs associated with the project lands incurred less the borrower's equity requirement for such project, less any holdbacks and any other payables that will not be paid by the advance requested, and (ii) the loan amount remaining to advance for this facility, less the eligible project costs associated with the project lands remaining to be completed, less any holdbacks and any other payables that will not be paid by the advance requested.

Interest is payable monthly at an annual rate of prime less 0.75%. The facility is payable in full on demand by the lender but no later than the earlier of July 4, 2025 and 6 months after substantial completion of the project. There are no amounts outstanding on the non-revolving demand loan facility as at December 31, 2023.

Borrowings under this facility are secured by site specific security agreement from borrower providing a first security priority interest. Mortgage from borrower in the amount of \$22,967,375 constitutes a first fixed charge on the project lands, subject to permitted encumbrances. The book value of the assets secured under this facility is \$5,313,244 as at December 31, 2023.

10. 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, 2023, the agreement was amended so that the maturity date of the Mortgage was extended to the earlier of (i) August 3, 2026, (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, 2023 (2022 - \$3,278,804). The book value of the properties secured by the mortgage is \$4,654,017 (2022 - \$4,637,586). 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.

Attainable Homes Calgary Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2023
(with comparatives as at and for the year ended December 31, 2022)

10. Mortgages payable (continued)

The Corporation is required to maintain a total debt ratio of no greater than 3:1, calculated annually. At December 31, 2023, the Corporation is in compliance with this covenant.

11. Pension plan

The Corporation provides a contributory pension plan for qualifying employees through participation in the Local Authorities Pension Plan ("LAPP"). LAPP is a multi-employer 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 AHC'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, 2023, the expense funded and recognized by the Corporation was \$92,244 (2022 - \$89,795), which has been included in salaries and benefits on the statement of operations.

12. Gross margin

Gross margin consists of the following:

	2023			2022
	Developed Inventory \$	Purchased Inventory \$	Total \$	Total \$
Sales	314,884	4,241,895	4,556,779	19,729,501
Cost of sales	293,726	3,969,938	4,263,664	18,300,778
Gross Margin	21,158	271,957	293,115	1,428,723
Gross Margin %			6.43%	7.24%

Attainable Homes Calgary Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2023
(with comparatives as at and for the year ended December 31, 2022)

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, 2023 and December 31, 2022 one share was issued and outstanding.

14. Accumulated operating surplus

Accumulated operating surplus consists of:

	<u>2023</u>	<u>2022</u>
Operating reserve	\$ 1,000,000	\$ 1,000,000
Unrestricted surplus	<u>7,568,371</u>	<u>8,287,498</u>
	<u>\$ 8,568,371</u>	<u>\$ 9,287,498</u>

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.

15. Contractual obligations

At December 31, 2023, the Corporation has the following contractual obligations:

- a) During the year ended December 31, 2023, the Corporation has renewed its lease agreement for another 5 years, with a lease commitment for its office that ends on December 31, 2028, as follows:

2024	\$ 8,912
2025	17,824
2026	22,280
2027	22,280
2028	<u>26,736</u>
	<u>\$ 98,032</u>

Attainable Homes Calgary Corporation

Notes to the Financial Statements

As at and for the year ended December 31, 2023

(with comparatives as at and for the year ended December 31, 2022)

16. 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, 2023, the Corporation has available \$8,950,960 relating to its revolving operating facility, \$10,000,000 relating to its evergreen facility, and \$22,967,375 relating to its non-recurring demand loan facility. (Note 9).