BRIDGE ATTAINABLE HOUSING SOCIETY

Financial Statements

November 30, 2011

Bridge Attainable Housing Society

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For the Year Ended Novemer 30, 2011

INDEPENDENT AUDITOR'S REPORT

To the Members of Bridge Attainable Housing Society:

Report on the financial statements

We have audited the accompanying financial statements of Bridge Attainable Housing Society, which comprise the statement of financial position as at November 30, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bridge Attainable Housing Society as at November 30, 2011, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Thompson Penner & Lo LLP

Certified General Accountants

May 30, 2012
Calgary, Alberta, Canada

Bridge Attainable Housing Society
Statement of Financial Position
As at November 30, 2011

		2011		2010
ASSETS				
Current				
Cash	**$**	**7,564**	$	-
Accounts receivable		**125,000**		168,152
Goods and services tax receivable		**241,755**		89,353
Prepaid expenses		**54,659**		-
		428,978		257,505
Property under development (Note 3)		**12,665,702**		7,939,861
	$	**13,094,680**	$	8,197,366
LIABILITIES				
Current				
Bank indebtedness and notes payable	**$**	**-**	$	18,521
Accounts payable and accrued liabilities		**1,321,684**		1,169,511
		1,321,684		1,188,032
Land purchase and participation agreement (Note 4)		**6,300,000**		6,300,000
Loans payable (Note 6)		**1,848,580**		900,000
Mortgage payable (Note 7)		**100,000**		100,000
Construction loan payable (Note 8)		**3,435,587**		-
Related party payable (Note 5 and 9)		**655,502**		-
		13,661,353		8,488,032
NET ASSETS		**(566,673)**		(290,666)
	$	**13,094,680**	$	8,197,366

Approved on behalf of the Board:

Director: ____________________________________

Director: ____________________________________

The accompanying notes form an integral part of the financial statements.

Bridge Attainable Housing Society

Statement of Operations

For the Year Ended November 30, 2011

	2011	2010
Revenue	**$ -**	$ -
Expenses		
Marketing	**181,807**	206,145
Selling commissions	**80,000**	72,500
Professional fees	**12,000**	9,000
Office supplies	**956**	375
Travel	**526**	-
Meals and entertainment	**470**	38
Interest and bank charges	**248**	8
Survey	**-**	2,600
	276,007	290,666
Deficiency of revenue over expenses	**$ (276,007)**	$ (290,666)

The accompanying notes form an integral part of the financial statements.

Bridge Attainable Housing Society
Statement of Changes in Net Assets
For the Year Ended November 30, 2011

	2011	2010
Net assets, beginning of year	**$ (290,666)**	**$ -**
Deficiency of revenue over expenses	**(276,007)**	(290,666)
Net assets, end of year	**$ (566,673)**	$ (290,666)

The accompanying notes form an integral part of the financial statements.

Bridge Attainable Housing Society
Statement of Cash Flows
For the Year Ended November 30, 2011

	2011	2010
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	$ (276,007)	$ (290,666)
Changes in non-cash working capital items		
Accounts receivable	43,152	(168,152)
Goods and services tax receivable	(152,402)	(89,353)
Prepaid expenses	(54,659)	-
Accounts payable and accrued liabilities	152,173	1,169,511
	(287,742)	621,340
FINANCING ACTIVITIES		
Land purchase and construction loans	-	6,300,000
Loans payable	948,580	900,000
Mortgage payable	-	100,000
Construction Loan payable	3,435,587	-
Related party payable	655,502	-
	5,039,669	7,300,000
INVESTING ACTIVITY		
Property under development	(4,725,841)	(7,939,861)
Increase (decrease) in cash	26,086	(18,521)
Cash and cash equivalents, beginning of year	(18,521)	-
Cash and cash equivalents, end of year	$ 7,564	$ (18,521)

The accompanying notes form an integral part of the financial statements.

1. NATURE OF THE ORGANIZATION

Bridge Attainable Housing Society (the "Society") was incorporated under the Societies Act of the Province of Alberta on November 13, 2009. The Society is an independent not-for-profit organization that creates innovative models and facilitates strategic partnerships. The mandate is to close the gap between rental housing and access to home ownership for those individuals and families whose income squeezes them out of the traditional home buying market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and cash equivalents

Cash includes cash and cash equivalents. Cash and cash equivalents consist primarily of deposits on account and commercial paper and deposits with an original maturity date of purchase of three months or less, less temporary bank overdrafts. Because of the short term maturity of these investments, their carrying amount approximates their fair value.

b) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts of assets and liabilities reported in the financial statements. Those estimates also affect disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates are required in determining future cash flows when assessing assets for impairment and determining fair values of financial instruments.

c) Revenue recognition

Revenue from the sale of the housing units is recognized when title to the property is transferred to the unit's purchaser(s), to the extent that the sales price and related costs are measurable, and has either been collected or collection is reasonably assured. Because the final sales prices of the units will not be determined until the conclusion of the participation agreement described in Note 4, the amount of revenue recognized at the time of the title transfer is determined by reference to the development cost of the unit. Any remaining sales revenue will be recognized at the valuation date described in Note 4, when it will become measurable.

d) Property under development

Property under development is stated at cost, less any impairment, if required. Cost comprises the acquisition cost of land, the specific development costs of the units, financing costs and operating expenses. The under development properties are not amortized.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flow from use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value and is recorded in the statement of operations and statement of changes in net assets.

f) Financial instruments

The Society has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as receivables, and are measured at amortized cost. Accounts payable and accrued liabilities, demand loan, debenture and mortgages payable are classified as other financial liabilities, and are also measured at amortized cost.

g) Accounting standards

In 2010, the Accounting Standards Board issued new accounting standards for Not for Profit organizations which must be adopted for years beginning on or after January 1, 2012. Management is currently reviewing the standards to determine the potential effect of their adoption on the financial statements of the Society, but it currently appears that the changes will not be significant.

3. PROPERTY UNDER DEVELOPMENT

The property under development is comprised of the acquisition costs of land and specific development costs direcly related to the design and construction of the planned housing. Property under development is not amortized, but will be held for sale.

	2011	2010
Land	**$ 6,300,000**	$ 6,300,000
Construction in progress	**6,814,844**	1,639,861
Less: Alberta Housing and Urban Affairs contribution (a)	**(449,142)**	-
	$ 12,665,702	$ 7,939,861

(a) The Society has received a funding commitment from the Province of Alberta, which will contribute 65% to the cost of development to a maximum of $150,000 per housing unit. The total grant is for $1,497,141, which will be received in increments of 30% based on construction progress and subject to submission of agreed progress reports. The final instalment is to be received after the project is 65% complete. As of November 30, 2011 the first instalment of $449,142 was received.

4. LAND PURCHASE AND PARTICIPATION AGREEMENT

In 2010 the Society acquired land from the City of Calgary (“the City”) for the purpose of developing affordable housing. This land purchase and the subsequent development and sale of multi-family residential housing units (“the units”) to qualified buyers are subject to a Development Management Agreement (“the Development Agreement”) between the Society and New Urban Consulting (2009) Inc. (“NUC”). The Agreement with NUC requires the Society to compensate NUC for development fees, reimbursable costs and a participation in the project. The participation portion of the Development Agreement is in the form of a debenture on title, held by the Society until October 2025, and represents profit due to NUC on the sale of the units. NUC has pledged and assigned its participation to McPherson Place LP (“McPherson”). The terms of the participation portion of the Development Agreement, which concludes in October 2025, includes the following provisions:

a) The Society acquired the land from the City for a purchase price of $6,300,000, secured by a debenture which will become due and payable at the conclusion of the agreement. The land is pledged as security for the debenture. The debenture is non-interest bearing, but will become due on demand and bear interest at 11% if the Society defaults on the terms of the agreement.

b) Participants in McPherson agreed to provide construction financing to the Society, as described in Note 6.

c) The units are to be sold to qualified buyers at current market prices. The sales prices of the units are determined as follows: 65% of the current fair value of the unit is due when title is transferred to the buyer. The balance of the sales price, which will be determined at the conclusion of the agreement, will be financed by McPherson (“the unit financing”).

d) At the conclusion of the agreement the remainder of each unit’s sales price will be determined by reference to the appraised market value of the property in October 2025 (“the valuation date”), with 35% of the appraised fair value receivable by the Society at that time. The Society and McPherson will retain an interest in each unit’s title until the final balance of the sales price has been established and paid by the unit purchaser.

e) In consideration of the note and unit financing provided by McPherson, the Society will pay to McPherson a participation bonus equal to the difference between the fair value of the financed units at the valuation date less the aggregate of payments due on the City debenture, the McPherson note and the unit financing.

5. RELATED PARTY TRANSACTION AND COMMITMENTS

The Society has entered into an agreement with New Urban Consulting 2009 Inc. ("NUC") to act as development manager for the project, for a fee of $1,100,000, with payments as follows:

Paid in 2011	$	**121,556**
Payable in 2012 in monthly installments of $23, 635 plus GST		**283,620**
Deferred payable in 2013, upon repayment of construction loan		**694,824**
	$	**1,100,000**

As of November 30, 2011, the total payable to NUC is $655,502, consisting of:

Deferred fees	**$**	**694,824**
Less: Other inter-company balances incurred before construction loan obtained		**(39,322)**
	$	**655,502**

6. LOANS PAYABLE

Certain of the participants in McPherson have provided interim construction financing to the Society to finance the start up costs of development. These loans bear interest at rates ranging from 6 to 10% per annum and are due December 31, 2012.

7. MORTGAGE PAYABLE

The Society has entered into a mortgage financing agreement with Canada Mortgage and Housing Corporation (CMHC) in the amount of $100,000 for the development of affordable housing. The loan advances may be forgiven in increments upon achievement of certain conditions.

8. CONSTRUCTION LOAN PAYABLE

The Society has entered into a non-revolving loan bearing an interest rate of 4.75% per year. The maximum credit facility available to the Society is $30,646,000, and repayment begins after the sale of the units in the Project are completed. In the current year the Society borrowed an amount of $3,435,587. The project lands have three security interests registered against them in the following priority:

Royal Bank of Canada construction loan to a maximum of $30,646,000;
City of Calgary debenture in the amount of $6,300,000; and
McPherson debenture in the amount of $7,320,000

9. RELATED PARTIES

The Society has had transactions with, and entered into agreements with, a number of related parties during the period as follows:

Related party	Nature of the relationship	Transactions and/or agreements
New Urban Consulting (2009) Inc. ("NUC") and its principals	As the development manager of the housing project, NUC and its principals act in a senior management capacity for the Society.	Provides development management services under the terms of a development management agreement as described in Note 5.
McPherson Limited Partnership	McPherson is controlled by the principals of NUC and as such is a related party.	Provides unit financing and a construction loan under the terms of the participation agreement described in Note 4. In lieu of interest or financing fees, McPherson will receive a participation bonus based on the expected increase in the fair value of the units during the term of the agreement.
Board chair	Serves as board chair and director of the Society.	Provides consulting services to the Society. In lieu of receiving consulting fees, the chair holds a 5% interest in McPherson.
Executive Director	Serves as senior management of the Society.	Provides management services to the Society. In lieu of receiving consulting fees, the Executive Director holds a 5% interest in McPherson.
Individual McPherson participants	Have an interest in the participation bonus to be distributed at the valuation date.	Provides interim construction financing (the participant loans) to the Society as described in Note 6.