

BRIDGE ATTAINABLE HOUSING SOCIETY

Financial Statements

For the Year Ended November 30, 2012

Bridge Attainable Housing Society
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For the Year Ended November 30, 2012

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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, 2012, 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, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Thompson Penner & Lo LLP

Certified General Accountants

June 28, 2013
Calgary, Alberta, Canada

Bridge Attainable Housing Society
Statement of Financial Position
As at November 30, 2012

	2012	2011
ASSETS		
Current		
Cash	\$ 463,520	\$ 7,564
City of Calgary performance deposit	125,000	125,000
Goods and services tax receivable	212,269	241,755
Prepaid expenses	11,777	54,659
	<u>812,566</u>	<u>428,978</u>
Property under development (note 3)	33,029,493	12,665,702
	<u>\$ 33,842,059</u>	<u>\$ 13,094,680</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Bank indebtedness	\$ 281,240	\$ -
Accounts payable and accrued liabilities	4,917,343	1,321,684
	<u>5,198,583</u>	<u>1,321,684</u>
Construction loan payable (note 4)	20,311,299	3,435,587
Land purchase and participation agreement (note 5)	6,300,000	6,300,000
Loans payable (note 6)	980,553	1,848,580
Mortgage payable (note 7)	114,455	100,000
Related party payable (note 8)	1,525,228	655,502
	<u>34,430,118</u>	<u>13,661,353</u>
Net assets		
Unrestricted	<u>(588,059)</u>	<u>(566,673)</u>
	<u>\$ 33,842,059</u>	<u>\$ 13,094,680</u>

Approved on behalf of the Board:

Director: _____

Director: _____

Bridge Attainable Housing Society
Statement of Operations and Changes in Net Assets
For the Year Ended November 30, 2012

	2012	2011
Revenue	\$ -	\$ -
Expenses		
Professional Fees	11,115	12,000
Marketing	5,985	181,807
Promotional	2,584	-
Travel	845	526
Interest and bank charges	466	248
Office	354	956
Meals and entertainment	37	470
Commissions	-	80,000
	21,386	276,007
Deficiency of revenue over expenses	(21,386)	(276,007)
Net assets (deficiency), beginning of year	(566,673)	(290,666)
Net assets (deficiency), end of year	\$ (588,059)	\$ (566,673)

Bridge Attainable Housing Society
Statement of Cash Flows
For the Year Ended November 30, 2012

	2012	2011
OPERATING ACTIVITIES:		
Deficiency of revenue over expenses	\$ (21,386)	\$ (276,007)
Changes in non-cash working capital		
Accounts receivable	-	43,152
Goods and services tax receivable	29,486	(152,402)
Prepaid expenses	42,882	(54,659)
Accounts payable and accrued liabilities	-	2,500
	<u>50,982</u>	<u>(437,416)</u>
INVESTING ACTIVITY:		
Additions to property under development	<u>(16,768,132)</u>	<u>(4,576,168)</u>
FINANCING ACTIVITIES:		
Proceeds (repayments) of loans payable	(868,027)	948,580
Proceeds (repayments) of construction loans	16,875,712	3,435,587
Proceeds of mortgage payable	14,455	-
Loans from (repayments to) related parties	869,726	655,502
	<u>16,891,866</u>	<u>5,039,669</u>
INCREASE IN CASH	174,716	26,085
Cash and equivalents, beginning of the year	<u>7,564</u>	<u>(18,521)</u>
CASH AND EQUIVALENTS, END OF THE YEAR	\$ 182,280	\$ 7,564
Cash and equivalents consists of:		
Cash	\$ 463,520	\$ 7,564
Bank indebtedness	<u>(281,240)</u>	<u>-</u>
	<u>\$ 182,280</u>	<u>\$ 7,564</u>

Bridge Attainable Housing Society

Notes to the Financial Statements

For the Year Ended November 30, 2012

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 (bank indebtedness). Because of the short term maturity of these investments, their carrying amount approximates fair value.

b) 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 certain operating expenses. The under development properties are not amortized.

c) Revenue

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) 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.

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.

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Bridge Attainable Housing Society
Notes to the Financial Statements
For the Year Ended November 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, bank indebtedness and mortgages payable are classified as other financial liabilities, and are also measured at amortized cost.

g) Accounting standards changes

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 (the "Project") is comprised of the acquisition costs of land and specific development costs directly related to the design and construction of the planned housing. Property under development is not amortized, but will be held for sale.

	<u>2012</u>	<u>2011</u>
Land	\$ 6,300,000	\$ 6,300,000
Construction in progress	28,076,919	6,814,844
Less: Alberta Housing and Urban Affairs contribution (a)	<u>(1,347,426)</u>	<u>(449,142)</u>
	<u>\$ 33,029,493</u>	<u>\$ 12,665,702</u>

(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 at November 30, 2012, \$1,347,426 was received (2011: \$449,142).

During the year, some of the amounts received from the Province of Alberta were allocated to applicants who qualified as described in Note 10.

4. 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 total amount borrowed by the Society was \$20,311,299 (2011: \$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.

Bridge Attainable Housing Society

Notes to the Financial Statements

For the Year Ended November 30, 2012

5. 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 Development 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 interim construction financing to the Society, as described in Note 6 ("the construction financing");
 - 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 Development Agreement, will be financed by McPherson ("the unit financing");
 - d) At the conclusion of the Development 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, to secure the unit financing; and
 - e) In consideration of the construction and unit financing provided by McPherson and described in Notes 5(b) and (c), 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 construction and unit financing.
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6. LOANS PAYABLE

Certain of the McPherson participants provided interim construction financing to the Society to finance the development start up costs. 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. During the year, CMHC advanced a further \$14,455 for the Society to investigate building affordable housing in Edmonton. The Society has not yet determined if this venture will be undertaken.

Bridge Attainable Housing Society
Notes to the Financial Statements
For the Year Ended November 30, 2012

8. RELATED PARTY LOAN, TRANSACTIONS 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
Paid in 2012	283,620
Deferred payable due in 2013, upon repayment of construction loan	<u>694,824</u>
	<u>\$ 1,100,000</u>

As of November 30, 2012, the total payable to NUC is \$1,525,228, consisting of:

Deferred fees	\$ 694,824
Repayment by NUC to a McPherson participant on behalf of the Society	1,000,000
Expenses paid by NUC in 2012	9,726
Less: Partial repayment of deferred fees	(140,000)
Less: Other inter-company balances incurred before construction loan obtained	<u>(39,322)</u>
	<u>\$ 1,525,228</u>

9. RELATED PARTIES

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

<u>Related party</u>	<u>Nature of relationship</u>	<u>Transactions and/or agreements</u>
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")	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.

Bridge Attainable Housing Society

Notes to the Financial Statements

For the Year Ended November 30, 2012

10. PROVINCE OF ALBERTA HOME OWNERS GRANT

During the prior year, Bridge Attainable Housing Society was approved for a Grant to assist in building the Project under the 2010/2011 Housing Capital Initiatives program from the Province of Alberta ("the Grant"). The agreement requires that the grant proceeds be allocated to low or moderate income persons or families to assist them in qualifying to purchase a unit in the Project. At November 30, 2012, the details of the Grant are as follows:

a) Grant proceeds

As at November 30, 2012 proceeds of \$1,347,426 had been received (2011: \$449,142). The total approved grant is \$1,497,141. When a unit is sold, the monies transfer to a new qualified purchaser or move to the Sustainable Fund to be reassigned (see Note 10(d)).

b) Proceeds committed and disbursed

Committed funds have been used to provide additional mortgage financing to qualifying purchasers. Disbursed funds have been used to construct suites to be adaptable and with a barrier-free design. Schedule 1 discloses the allocation of the total proceeds between amounts committed and the amounts disbursed by unit to November 30, 2012.

c) Management costs

As at November 30, 2012, of the grant proceeds identified, \$18,000 had been set aside to cover management costs for unit transfer, and \$17,100 had been set aside for legal expenses related to closing costs.

d) Sustainable Fund

Under the terms of the grant, the Society is required to create a Sustainable Fund ("the Fund"). Any committed grant proceeds not disbursed upon initial sale of the units shall be transferred to the Fund. If ownership of a unit is subsequently transferred, the amount committed to that unit is transferred either to a new qualified purchaser or to the Fund. As McPherson Place transitions to market units after the first 10 years of operation, all grant proceeds return to the Fund. Bridge Attainable Housing Society is not required to return those funds to the Province and understands the Fund can be used as a perpetual Fund for future attainable housing projects. The Province will be asked to provide written confirmation of this understanding.

The Grant expires after 20 years at which time the obligations to the Province will have been met. The Society may then determine how to allocate the Fund to further its mission. Should the Society close, the Fund will be returned to the Province.

As at November 30, 2012, no amounts had been transferred to the Fund.

11. SUBSEQUENT EVENTS

a) Finalization of sales

In May and June, 2013, sales of all units were finalized. Sales proceeds were used to repay the construction loan payable and other related construction liabilities.

b) Calgary flood

On June 21 and 22, 2013 the property was damaged due to flooding of the Bow River in the City of Calgary. The Society's potential liability as the property developer and the extent of insurance coverage have not been determined.

Bridge Attainable Housing Society

Schedule 1: Housing Capital Initiatives Allocation of Amounts Committed and Disbursed

For the Year Ended November 30, 2012

Unit number	Committed	Disbursed
Unit 107	\$ -	\$ 34,928
Unit 109	-	34,928
Unit 111	-	34,928
Unit 113	-	34,928
Unit 115	133,995	-
Unit 117	-	34,928
Unit 119	-	34,928
Unit 123	37,402	-
Unit 124	37,402	-
Unit 125	87,995	-
Unit 207	37,402	-
Unit 209	-	34,928
Unit 211	-	34,928
Unit 213	-	38,560
Unit 214	12,786	-
Unit 215	-	8,650
Unit 216	55,945	-
Unit 217	37,402	-
Unit 221	-	34,928
Unit 222	37,403	-
Unit 224	37,402	-
Unit 225	-	34,928
Unit 313	-	34,928
Unit 314	37,402	-
Unit 322	37,402	-
Unit 327	91,490	-
Unit 411	91,490	-
Unit 413	-	34,928
Unit 416	37,402	-
Unit 511	91,490	-
Unit 513	24,029	-
Unit 514	-	34,928
Unit 613	-	34,928
Total	\$ 925,839	\$ 536,202
Total committed	\$ 925,839	
Total disbursed	536,202	
Program administration	18,000	
Legal costs	17,100	
Total funding spent or allocated	\$ 1,497,141	
Total grant funding	1,497,141	
Funds remaining at November 30, 2012	\$ -	