BRIDGE ATTAINABLE HOUSING SOCIETY

Financial Statements

Year Ended November 30, 2013

Bridge Attainable Housing Society
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Year Ended November 30, 2013

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CALVISTA LLP
PROFESSIONAL ACCOUNTANTS

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 statements of financial position as at November 30, 2013, November 30, 2012 and December 1, 2011, and the statements of operations and changes in net assets and cash flows for the years ended November 30, 2013 and November 30, 2012, 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 accounting standards for not-for-profit organizations, 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, 2013, November 30, 2012 and December 1, 2011, and its financial performance and its cash flows for the years then ended November 30, 2013 and November 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Calvista LLP

Professional Accountants

June 17, 2014
Calgary, Alberta, Canada

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Bridge Attainable Housing Society

Statement of Financial Position

As at November 30, 2013, November 30, 2012 and December 1, 2011

	November 30, 2013	November 30, 2012	December 1, 2011
ASSETS			
Current			
Cash	**$ 25,468**	$ 463,520	$ 7,564
City of Calgary performance deposit	**-**	125,000	125,000
Goods and services tax receivable	**3,668**	212,269	241,755
Prepaid expenses	**1,552**	11,777	54,659
	30,688	812,566	428,978
Mortgages receivable (Note 4)	**5,235,680**	-	-
Property under development (Note 5)	**-**	31,599,501	11,140,220
	$ 5,266,368	$ 32,412,067	$ 11,569,198
LIABILITIES AND NET ASSETS			
Current liabilities			
Bank indebtedness	**$ -**	$ 281,240	$ -
Accounts payable and accrued liabilities	**42,075**	4,917,343	1,321,684
	42,075	5,198,583	1,321,684
Construction loan payable (Note 6)	**-**	20,311,299	3,435,587
Land purchase and participation agreement (Notes 7 and 8)	**4,967,409**	4,870,008	4,774,518
Loans payable (Note 9)	**-**	980,553	1,848,580
Mortgage payable (Note 10)	**-**	114,455	100,000
Related party payable (Note 11)	**21,705**	1,525,228	655,502
	5,031,189	33,000,126	12,135,871
Net assets			
Unrestricted	**235,179**	(588,059)	(566,673)
	$ 5,266,368	$ 32,412,067	$ 11,569,198

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 and Changes in Net Assets
For the Years Ended November 30, 2013 and 2012

	2013	2012
Revenue	**$ 41,002,937**	$ -
Cost of sales	**36,880,705**	-
Gross profit	**4,122,232**	**-**
Operating Expenses		
Commissions	**101,590**	-
Preliminary project evaluation expenses	**75,424**	-
Professional fees	**36,700**	11,115
Residential condominium fees on unsold units	**20,656**	-
Marketing	**16,313**	5,985
Promotional	**4,350**	2,584
Office	**3,267**	354
Travel	**3,084**	845
Meals and entertainment	**2,372**	37
Repairs and maintenance	**1,579**	-
Warranty	**750**	-
Interest and bank charges	**728**	466
	266,813	21,386
Excess (deficiency) of revenue over expenses before other income (expenses)	**3,855,419**	(21,386)
Other income (expenses)		
Gain on transfer of assets and liabilities (Note 13)	**908,798**	-
Participation bonus (Note 14)	**(3,940,979)**	-
	(3,032,181)	-
Excess (deficiency) of revenue over expenses	**823,238**	(21,386)
Net assets (deficiency), beginning of year	**(588,059)**	(566,673)
Net assets (deficiency), end of year	**$ 235,179**	$ (588,059)

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

Bridge Attainable Housing Society

Statement of Cash Flows

For the Years ended November 30, 2013 and 2012

	2013	2012
OPERATING ACTIVITIES:		
Excess (deficiency) of revenue over expenses	**$ 823,238**	$ (21,386)
Items not affecting cash:		
Gain on transfer of assets and liabilities	**(908,798)**	-
Participation bonus	**3,940,979**	-
	3,855,419	(21,386)
Changes in non-cash working capital:		
City of Calgary performance deposit	**125,000**	-
Goods and services tax receivable	**208,601**	29,486
Prepaid expenses	**10,225**	42,882
Accounts payable and accrued liabilities	**(4,875,268)**	-
	(676,023)	50,982
INVESTING ACTIVITIES:		
Additions to property under development	**-**	(16,768,132)
Proceeds from sale of the property	**18,193,361**	-
Mortgages receivable	**5,235,680**	-
	23,429,041	(16,768,132)
FINANCING ACTIVITIES:		
Repayments of loans payable	**(980,553)**	(868,027)
Proceeds (repayments) of construction loans	**(20,311,299)**	16,875,712
Proceeds (repayments) of mortgage payable	**(114,455)**	14,455
Loans from (repayments to) related parties	**(1,503,523)**	869,726
	(22,909,830)	16,891,866
INCREASE (DECREASE) IN CASH	**(156,812)**	174,716
Cash, beginning of the year	**182,280**	7,564
CASH, END OF THE YEAR	**$ 25,468**	$ 182,280
Cash consists of:		
Cash	**$ 25,468**	$ 463,520
Bank indebtedness	**-**	(281,240)
	$ 25,468	$ 182,280

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. IMPACT OF THE CHANGES IN THE BASIS OF ACCOUNTING

Effective December 1, 2012, the Society adopted the requirements of the *CPA Handbook – Accounting* , electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations ("ASNPO"). These are the Society's first financial statements prepared in accordance with these accounting standards, which has been applied retrospectively. The accounting policies set out in the following significant accounting policy note have been applied in preparing the financial statements for the year ended November 30, 2013, the comparative information presented in these financial statements for the year ended November 30, 2012 and in the preparation of an opening statement of financial position as at December 1, 2011 (the Society's date of transition).

The Society issued financial statements for the year ended November 30, 2012 using generally accepted accounting principles ("GAAP") prescribed by the *CPA Handbook – Accounting* Part V. The adoption of ASNPO had no impact on the Society's excess of revenues over expenses for the year ended November 30, 2012 or on the net assets as at December 1, 2011, the date of transition. Certain of the Society's disclosures included in these financial statements reflect the new disclosure requirements of ASNPO.

Note that the Society's 2013 statement of financial position is three columns: November 30, 2013, November 30, 2012 and December 1, 2011. As a result of this transition, certain amounts were restated as disclosed in Note 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations 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 properties under development are not amortized.

(Continues next page)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Mortgages receivable

The Society reviews the mortgages receivable annually for impairment. An impairment loss in respect of the mortgages receivable measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are charges to the statement of income and reflected in the allowance account against the mortgages receivable. Interest is accrued on the mortgages receivable to the extent it is deemed collectible.

d) 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 8, the amount of revenue recognized at the time of the title transfer is determined by reference to the amount already measurable as described in Note 8(b). Any remaining sales revenue will be recognized at the valuation date described in Note 8(d), when it will become measurable.

e) Use of estimates

The preparation of financial statements in accordance with ASNPO 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. Actual results could differ from these estimates.

f) Financial instruments

The Society initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost. The financial assets measured at amortized cost include cash and mortgages receivable. The financial liabilities measured at amortized cost include loans payable, mortgages payable, accounts payable and accrued liabilities.

4 MORTGAGES RECEIVABLE

As at November 30, 2013, the balance is comprised of 102 vendor take-back mortgages provided to the purchasers of the units. The due date of the mortgages is March 31, 2023, which may be extended at the sole discretion of the Society until March 31, 2028. The mortgages bear interest at 0% and were recorded at their fair value, being the net present value of their face values. The mortgages will be assessed annually for impairment. If any are determined to be impaired, a loan loss allowance will be recorded.

	Gross Principal	Allowance	Net Principal
Mortgages at face value	$ 7,036,258	$ -	$ 7,036,258
Discounted at 3%	(1,800,578)	-	(1,800,578)
Mortgages at net present value	$ 5,235,680	$ -	$ 5,235,680

5. PROPERTY UNDER DEVELOPMENT

The developed property (the "Project" also referred to as "McPherson Place") was comprised of the acquisition cost of the land and specific development costs directly related to the design and construction of the housing units. The construction was completed in 2013, and all of the units were sold during the year. All of the costs related to the property development were transferred to cost of sales at the point of sale, being the date that each unit's title was transferred to the purchaser.

	November 30, 2013	November 30, 2012	December 1, 2011
Land - cost	**$ -**	$ 6,300,000	$ 6,300,000
Land - discounted at 2% (Note 7)	-	(1,429,992)	(1,525,482)
Construction in progress	-	28,076,919	6,814,844
Less: Province of Alberta Home Owners Grant (Note 5(a))	-	(1,347,426)	(449,142)
	$ -	$ 31,599,501	$ 11,140,220

(a) Province of Alberta Home Owners Grant

The Society was provided a grant in the amount of $1,497,141 to assist in building the Project under the 2010/2011 Housing Capital Initiatives program from the Province of Alberta ("the grant"). The agreement required 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. The grant proceeds were used to reduce the purchase price of the units for qualified buyers.

In future years, should a unit to which the grant proceeds were initially allocated be sold by the homeowner to a purchaser who does not qualify for the grant, the amount allocated to that unit is to be set aside in a Sustainable Fund ("the Fund") in order to assist another qualified homebuyer to acquire a different unit when available. If the unit is sold to a purchaser who does qualify, the grant will remain allocated to the original unit. In order to secure the sales proceeds in the event that a subsequent sale is made to a non-qualified buyer, the Society has registered a mortgage against the titles of the applicable units.

As McPherson Place transitions to market units after the first 10 years of operation, all grant proceeds return to the Fund. The 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 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, 2013, the grant had been used as follows:

Disbursed or committed to provide mortgage funding to specific qualified buyers of the units	$ 1,462,041
Program administration	18,000
Legal costs	17,100
	$ 1,497,141

The grant was subject to a 10% withholding pending completion of final reporting to the Province of Alberta. This amount has been received subsequent to the year end and formed part of the assets transferred to New Urban Developments Inc. ("NUD") (Note 13).

6. CONSTRUCTION LOAN PAYABLE

The Society entered into a non-revolving RBC Bank 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. As of November 30, 2013, the construction loan had been fully paid from the proceeds of sale of the units (November 30, 2012: $20,311,299; December 1, 2011: $3,435,587) and has been cancelled.

7. LAND PURCHASE

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 Participation Agreement with NUD and a Development Management Agreement with McPherson LP described in Notes 8 and 11. 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 September 30, 2025 or on demand if the Society does not meet certain conditions of the purchase agreement. The land is pledged as security for the debenture. The debenture is non-interest bearing to maturity; with interest at RBC Bank prime plus 2% thereafter. The land has been recorded at the fair market value of the consideration granted, being the net present value of the debenture at the date of transition to ASNPO, estimated as follows:

	November 30, 2013	November 30, 2012	December 1, 2011
Debenture at face value	**$ 6,300,000**	$ 6,300,000	$ 6,300,000
Discounted at 2%	**(1,332,591)**	(1,429,992)	(1,525,482)
Debenture at net present value	**$ 4,967,409**	$ 4,870,008	$ 4,774,518

During the construction of the project, the estimated imputed interest on the debenture was reported as a direct cost of construction financing, in accordance with the accounting standards of the *CPA Handbook Accounting.*

8. PARTICIPATION AGREEMENT

The land purchase described in Note 7 and the subsequent development and sale of multi-family residential housing units ("the units") to qualified buyers were subject to a Development Management Agreement ("the Development Agreement") between the Society and New Urban Developments Inc. ("NUD") (formerly New Urban Consulting (2009) Inc). The Agreement with NUD required the Society to compensate NUD for development fees, reimbursable costs and a participation in the project. Of these amounts payable to NUD, all have been paid except for the participation amount. NUD has pledged and assigned its participation to McPherson Place LP ("McPherson"). The participation portion of the Agreement is in the form of a debenture on title, held by McPherson until October 2025, and represents profits due to NUD on the sale of the units. The terms of the participation portion of the Development Agreement, which concludes in October 2025, includes the following provisions:

a) Participants in McPherson agreed to provide interim construction financing to the Society, as described in Note 9 ("the construction financing"). The construction financing was fully repaid in the year;

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8. PARTICIPATION AGREEMENT (Continued)

b) 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 Participation Agreement as described in Note (c) below, will be financed by McPherson ("the unit financing");

c) At the conclusion of the Participation 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. In order to secure the unit financing, 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; and

d) In consideration of the construction and unit financing provided by McPherson and described in Notes 8(a) and (b), 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 and the construction and unit financing. As of the date of these financial statements, the construction financing had been fully repaid.

9. LOANS PAYABLE

Certain McPherson participants provided interim construction financing to the Society to finance the development start up costs. These loans bore interest at rates ranging from 6% to 10% per annum and were due December 31, 2012. As of November 30, 2013, all of the construction loans were fully repaid from the cash proceeds of the sale of the units (November 30, 2012: $980,553; December 1, 2011: $1,848,580).

10. MORTGAGE PAYABLE

In 2011, the Society 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 are to be forgiven in increments upon achievement of certain conditions. To date all conditions have been met. During 2013, CMHC advanced a further $5,775 (2012: $14,455) for the Society to investigate building affordable housing in Edmonton, for a total of $120,230. As of November 30, 2013, this liability was assumed by NUD as described in Note 13. NUD assumes the risk that future increments will not be forgiven on schedule.

11. RELATED PARTY LOAN, TRANSACTIONS AND COMMITMENTS

The Society entered into a Development Management Agreement with NUD to act as development manager for the project, for a fee of $1,100,000. As of the date of the financial statements the fee has been paid in full.

As of November 30, 2013, the total payable to NUD, is $21,705 (November 30, 2012: $1,525,228; December 1, 2011: $655,502), consisting of expenses paid by NUC on behalf of the Society.

12. RELATED PARTIES

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

Related party	Nature of relationship	Transactions and/or agreements
New Urban Developments Inc. ("NUD") and its principals	As the development manager of the housing project, NUD 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 8. Assumed certain assets and liabilities in exchange for the titles of two commercial units as described in Note 13.
McPherson Limited Partnership ("McPherson")	McPherson is controlled by the principals of NUD and as such is a related party.	Provided unit financing and a construction loan under the terms of the participation agreement described in Note 8. In lieu of interest or financing fees, McPherson will receive a participation bonus as described in Note 8, 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.	Provided interim construction financing (the participant loans) to the Society as described in Note 9.

13. TRANSFER OF ASSETS AND LIABILITIES TO NEW URBAN DEVELOPMENT

After sale of the residential units in the condominium complex, the Society retained title to two commercial units with an estimated fair value of $998,000. The title to these units was transferred to NUD in exchange for NUD's assumption of related assets and liabilities as follows:

Liabilities transferred:		
Construction accounts payable	$ 122,140	
CHMC mortgages (Note 10)	120,230	
Construction financing provided by NUD	184,211	
Balance of construction financing provided by NUD principals	1,006,932	**$ 1,433,513**
Less assets transferred:		
City of Calgary deposit	$ 125,000	
Insurance deposits	250,000	
Province of Alberta grant receivable (Note 5(a))	149,715	**524,715**
Net consideration		**$ 908,798**

Of the liabilities transferred, $1,247,162 remained outstanding at the date the financial statements were released. Although NUD has agreed to settle these liabilities and indemnifies the Society, the creditors might have a claim against the Society in the event of a default by NUD.

14. PARTICIPATION BONUS

The participation bonus described in Note 8(d) accrues to McPherson during the term of the participation agreement. The final amount of the participation bonus will be determined at the valuation date described in Note 8(c). The participation bonus recognized in the current year represents the portion of the bonus that can be reliably measured at this time.

15. TRANSITION TO NEW ACCOUNTING STANDARDS

As stated in Note 2, these financial statements are prepared in accordance with ASNPO. The accounting policies set out in Note 3 have been applied consistently in preparing the financial statements for the year ended November 30, 2013, the comparative information presented for the year ended November 30, 2012 and in the opening statement of financial position as at December 1, 2011 (the Society's date of transition to ASNPO) and as at November 30, 2012 and 2013. In preparing the Society's opening ASNPO statement of financial position, the Society adjusted amounts previously reported in the financial statements prepared in accordance with Part V of the *CPA Handbook.* The adjustments to amounts previously reported are as follows:

Changes to the statement of financial position restatement	November 30, 2012	December 1, 2011
Decrease in property under development	$ (1,429,992)	$ (1,525,482)
Decrease in land purchase and participation agreement	(1,429,992)	(1,525,482)

No changes were made to the statement of operations and changes in net assets and statement of cash flows as a result of the transition to ASNPO and, accordingly, no reconciliation is made for these statements.