

**CANMORE COMMUNITY HOUSING CORPORATION**

**Financial Statements**

**For the year ended December 31, 2014**

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**CANMORE COMMUNITY HOUSING CORPORATION**  
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**For the year ended December 31, 2014**

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# Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To: The Board of  
Canmore Community Housing Corporation

We have audited the accompanying financial statements of Canmore Community Housing Corporation, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *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 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 the Canmore Community Housing Corporation as at December 31, 2014 and the results of its operations, changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

March 18, 2015



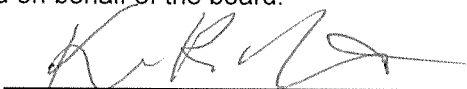
Chartered Accountants

**CANMORE COMMUNITY HOUSING CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2014

	2014	2013
<b>Financial assets</b>		
Cash	\$ 161,137	\$ 85,740
Term deposits (note 4)	2,345,769	832,583
Trade and other receivables (note 5)	24,194	12,686
Inventory held for resale (note 6)	-	340,121
Investment in future housing developments (note 7)	703,459	549,087
	3,234,559	1,820,217
<b>Liabilities</b>		
Accounts payable and accrued liabilities	19,255	4,224
Deferred revenue (note 8)	1,986,250	294,294
Funds held in trust	53,735	52,510
Long-term debt (note 9)	5,023,488	5,173,291
Due to related parties (note 10)	120,311	462,513
	7,203,039	5,986,832
<b>Net financial debt</b>	(3,968,480)	(4,166,615)
<b>Non-financial assets</b>		
Prepaid expenses	799	1,142
Tangible capital assets (schedule 1)	7,594,293	7,762,283
	7,595,092	7,763,425
<b>Accumulated surplus</b> (note 11)	\$ 3,626,612	\$ 3,596,810

Contingency (note 16)

Approved on behalf of the board:

Director 

Director 

**CANMORE COMMUNITY HOUSING CORPORATION**  
**STATEMENT OF OPERATIONS**  
For the year ended December 31, 2014

	Budget (unaudited)	2014	2013
<b>Revenue</b>			
Contributions from Town of Canmore	\$ 275,000	\$ 275,000	\$ 275,000
Resale administration	25,000	20,412	12,589
Interest	12,000	12,125	10,390
Other	-	10,003	16,370
Leases	8,044	8,044	8,044
	<b>320,044</b>	<b>325,584</b>	<b>322,393</b>
<b>Expenses</b>			
Wages and benefits	219,500	226,884	202,594
Resale administration	18,750	16,191	21,781
Professional fees	18,000	12,555	10,178
Office	13,268	12,105	10,749
Contract service	25,000	6,208	15,135
Rent	-	3,300	-
Telephone and utilities	3,322	3,219	3,432
Communications	7,500	2,434	6,331
Bad debts	-	1,853	-
Insurance	1,775	1,782	1,600
Computer	1,275	985	1,066
Meals and entertainment	1,000	216	848
Memberships	900	608	558
Interest and bank charges	300	194	408
Travel and accommodation	2,000	170	1,646
Amortization	3,500	5,768	3,301
	<b>316,090</b>	<b>294,472</b>	<b>279,627</b>
<b>Excess of revenue over expenses before other</b>	<b>3,954</b>	<b>31,112</b>	<b>42,766</b>
<b>Other revenue (expenses)</b>			
Hector rental revenue	625,650	652,361	631,433
Hector interest expense	(255,787)	(255,788)	(262,978)
Hector rental expenses	(177,906)	(161,309)	(162,916)
Hector amortization	(174,985)	(174,985)	(174,985)
Housing resale revenue	-	618,933	547,650
Housing resale expenses	-	(610,571)	(540,204)
Writedown of investment in future housing	-	(69,951)	-
	<b>16,972</b>	<b>(1,310)</b>	<b>38,000</b>
<b>Excess of revenue over expenses</b>	<b>20,926</b>	<b>29,802</b>	<b>80,766</b>
<b>Accumulated surplus, beginning of year</b>	<b>3,596,810</b>	<b>3,596,810</b>	<b>3,516,044</b>
<b>Accumulated surplus, end of year</b>	<b>3,617,736</b>	<b>3,626,612</b>	<b>3,596,810</b>

**CANMORE COMMUNITY HOUSING CORPORATION**  
**STATEMENT OF CHANGES IN NET FINANCIAL DEBT**  
For the year ended December 31, 2014

	Budget (unaudited)	2014	2013
<b>Excess of revenue over expenses</b>	\$ 20,926	\$ 29,802	\$ 80,766
Acquisition of tangible capital assets	-	(12,763)	(3,995)
Amortization	178,485	180,753	178,286
	178,485	167,990	174,291
Net change in prepaid expenses	-	343	242,034
<b>Change in net financial debt</b>	199,411	198,135	497,091
<b>Net financial debt, beginning of year</b>	(4,166,615)	(4,166,615)	(4,663,706)
<b>Net financial debt, end of year</b>	(3,967,204)	(3,968,480)	(4,166,615)

**CANMORE COMMUNITY HOUSING CORPORATION**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2014

	2014	2013
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 29,802	\$ 80,766
Adjustments for items which do not affect cash		
Amortization	180,753	178,286
	210,555	259,052
Net change in non-cash working capital items		
Trade and other receivables	(11,505)	4,480
Inventory held for resale	340,121	-
Prepaid expenses	343	242,033
Accounts payable and accrued liabilities	15,031	124
Funds held in trust	1,225	-
	555,770	505,689
<b>Investing transactions</b>		
Purchase of term deposits	(1,513,186)	(78,894)
	(1,513,186)	(78,894)
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(12,763)	(3,995)
Received for (applied to) future housing development	1,691,956	(8,044)
Investment in future housing developments	(154,376)	(7,338)
	1,524,817	(19,377)
<b>Financing transactions</b>		
Repayment of long-term debt	(149,803)	(142,612)
Repayment to related parties	(342,201)	(243,453)
	(492,004)	(386,065)
<b>Increase in cash</b>	<b>75,397</b>	<b>21,353</b>
<b>Cash, beginning of year</b>	<b>85,740</b>	<b>64,387</b>
<b>Cash, end of year</b>	<b>\$ 161,137</b>	<b>\$ 85,740</b>

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**CANMORE COMMUNITY HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

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**1. Nature of operations**

Canmore Community Housing Corporation (the "organization") was incorporated on April 11, 2000 as a non-profit entity solely owned by the Town of Canmore and as such is not a taxable entity under the provisions of the Income Tax Act.

The purpose of the organization is to help the Town of Canmore maintain a healthy and balanced community over the long term by providing a mix of rental and ownership housing that is appropriate to the needs of the community and to enhance quality of life by facilitating the development of a perpetual stock of suitable housing for residents whose housing needs are not being met through other means.

Rental housing is provided in the form of apartment-style units as well as homes held in inventory awaiting resale under the Perpetually Affordable Housing (PAH) initiative.

PAH, for ownership purposes, is achieved by retaining title to housing units, while assigning the land and the building to qualifying homeowners by way of a 40 to 50 year initial lease term at below market purchase prices with two optional renewal terms of 25 years each.

**2. Significant accounting policies**

The financial statements are prepared in accordance with Canadian public sector accounting standards. The significant policies are detailed as follows:

(a) Revenue recognition

The organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(c) Housing inventory held for resale

Housing inventory held for resale is recorded at the lower of the purchase price of the property and its net realizable value. Other costs related to the purchase of the PAH units are recorded as resale administration costs. These administration costs include prorated property taxes, legal fees, and other administration fees.



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**CANMORE COMMUNITY HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

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**2. Significant accounting policies, continued**

(d) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the Change in Net Financial Debt for the year.

(i) Tangible capital assets

Tangible capital assets are recorded at 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 over the estimated useful life as follows:

	Years
Leasehold improvements	5 years straight line
Buildings	20 years straight line
Computer equipment	30% declining balance
Computer software	7 years straight line

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(e) Investment in future housing developments

Investment in future housing developments includes costs incurred to develop future residential housing units to assist the organization in meeting its objectives.

(f) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

**CANMORE COMMUNITY HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2014

**3. Financial instruments**

The organization's financial instruments consist of trade and other receivables, amounts due from related parties and accounts payable and accrued liabilities. It is management's opinion that the organization is not exposed to significant interest or currency risks arising from these financial instruments.

The carrying value of these financial instruments approximates their fair value.

**4. Term deposits**

Term deposits are internally restricted and bear interest between 0.50% and 1.35% and mature during 2015. The carrying value of the term deposits approximates their fair value.

**5. Trade and other receivables**

	2014	2013
Trade receivables	\$ 11,559	\$ 7,500
GST receivable	12,635	5,186
	<u>\$ 24,194</u>	<u>\$ 12,686</u>

**6. Inventory held for resale**

The Town of Canmore has retained the first option to purchase PAH units when they become available for sale. The repurchase option is nominated to the organization which is a part of carrying out their mandate. Through this mechanism, PAH units are purchased and resold below market values. Although title of the PAH units are retained by the organization, the transaction is structured such that the majority of the benefits and costs of ownership of the related units are transferred to the purchaser (leaseholder). The repurchase of these units is financed through loans from the Town of Canmore (see note 10) and proceeds of the sale remain restricted for the sole purpose of repaying said loans.

**7. Investment in future housing developments**

	2014	2013
TSMV - Lot 39 road costs	\$ 481,734	\$ 477,065
TSMV - Lot 39 non road costs	219,526	69,951
Palliser Village - Lot 7 costs	2,199	2,071
	<u>\$ 703,459</u>	<u>\$ 549,087</u>

**CANMORE COMMUNITY HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2014

**8. Deferred revenue**

	2014	2013
Capital grant	\$ 1,700,000	\$ -
Lease revenue	286,250	294,294
	\$ 1,986,250	\$ 294,294

The organization has received a capital grant in the amount of \$1,700,000 from the Town of Canmore. The purpose of this grant is to assist in funding a new apartment complex under development on Lot 39 of Block 4. This revenue is anticipated to be recognized in 2015.

The organization has entered into an agreement with Mountain Haven Co-operative Homes Ltd. (the "Co-op") to lease Lot 41 of Block 4 (TSMV) for an initial lease term of 45 years. The lease also includes four 25 year renewal terms that can be exercised at the option of the Co-op. The Co-op has paid the organization \$362,000, which represents the net present value of the lease payments for the entire 45 year initial term of the lease at the time of inception of the lease. These lease payments will be recognized as revenue over the initial term of the lease which commenced on August 1, 2005.

**9. Long term debt**

	2014	2013
Town of Canmore	\$ 5,023,488	\$ 5,173,291
	\$ 157,356	\$ 149,803

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2015	\$ 157,356	\$ 248,234	\$ 405,590
2016	165,290	240,300	405,590
2017	173,624	231,966	405,590
2018	182,378	223,212	405,590
2019	191,573	214,017	405,590
Thereafter	4,153,267	3,148,510	7,301,777
	\$ 5,023,488	\$ 4,306,239	\$ 9,329,727

Long term debt is repayable to the Town of Canmore at \$202,795 semi-annually including interest at 4.98%. The current loan matures in 2034.

**CANMORE COMMUNITY HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2014

**10. Related party transactions**

The organization is funded primarily through contributions from the Town of Canmore. During 2014 the organization was allocated \$275,000 (2013 - \$275,000) from the Town of Canmore.

During the year the organization used office space owned by the Town of Canmore. This space was provided by the Town of Canmore to the organization at no charge.

During 2005, the Town of Canmore assumed a payable from the organization in the amount of \$325,000, which had previously been payable to an unrelated third party. The loan bears no interest or repayment terms and is unsecured. As of December 31, 2014, \$162,500 of this amount was outstanding (2013 - \$162,500).

The Town of Canmore has established a repurchasing line of credit to the organization up to a maximum of \$1,500,000 for the purchase of PAH units. These loans are secured by the PAH units until repaid to the Town of Canmore and do not bear interest. The loans are repayable to the Town of Canmore 14 days after the resale date of the unit. As at December 31, 2014 the line of credit was unused (2013 - \$342,000).

The organization is responsible for paying expenses related to the operation of the Hector rental property, to PEKA Property Management. An employee of PEKA Property Management, in an unrelated division, is on the board of directors of the organization. The amount payable to the related party as at December 31, 2014 is \$11,546 (2013 - \$10,523).

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

**11. Accumulated surplus**

Accumulated surplus consists of internally restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2014	2013
Unrestricted surplus	\$ 418,878	\$ 189,757
Internally restricted surplus (reserves) (note 12)	636,929	818,061
Equity in tangible capital assets (note 13)	2,570,805	2,588,992
	<u>\$ 3,626,612</u>	<u>\$ 3,596,810</u>

**CANMORE COMMUNITY HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2014

**12. Internally restricted surplus (reserves)**

The organization has internally restricted the following funds for other than operational purposes:

	2014	2013
Capital reserve fund	\$ 519,726	\$ 736,009
The Hector building reserve fund	117,203	82,052
	<u>\$ 636,929</u>	<u>\$ 818,061</u>

The use of the capital reserve fund will be by decision of the board pursuant to the cash management policy. These funds may be used to:

- a) Build or contract the building of community housing projects;
- b) Purchase, service and/or maintain land held by the organization for community housing development;
- c) Purchase, renovate, or maintain community housing units owned by the organization;
- d) Use as seed capital for community housing projects and programs; and
- e) Undertake other activities to create or maintain community housing.

As per the policy, all interest earned is paid out to the operating account.

The Hector building reserve fund is restricted for the costs of major repairs and or replacement of building components for The Hector rental property. Although not required, the organization obtained a building reserve fund study on October 24, 2011 and makes contributions as per the recommended schedule.

A portion of reserves are invested in term deposits.

**13. Equity in tangible capital assets**

	2014	2013
Tangible capital assets (schedule 1)	\$ 8,141,137	\$ 8,128,373
Accumulated amortization (schedule 1)	(546,844)	(366,090)
Long term debt (note 9)	(5,023,488)	(5,173,291)
	<u>\$ 2,570,805</u>	<u>\$ 2,588,992</u>

**14. Economic dependence**

The organization is economically dependent on the Town of Canmore for its continued existence as the Town of Canmore provides the organization with a substantial portion of its revenue, as well as providing the organization with rent-free office space.

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**CANMORE COMMUNITY HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

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**15. Budget amounts**

The 2014 budget was approved by the Board of Directors and has been reported in the financial statements for information purposes only. The budget amounts have not been audited, reviewed, or otherwise verified.

**16. Contingency**

Certain land held by the organization (Palliser Lot 7) suffered flood damage in June, 2013 and its value is currently in question. Presently, the land is valued at \$1,768,000. Based on the available information, it is reasonably possible that an impairment in value has occurred. Management is currently in the process of determining how much, if any, impairment has occurred. It is not possible at this time to estimate the dollar value of potential impairment.

**CANMORE COMMUNITY HOUSING CORPORATION**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2014

Schedule of tangible capital assets	Schedule 1						
	Land	Leasehold improvements	Buildings	Computer equipment	Furniture and office equipment	2014	2013
<b>Cost:</b>							
Balance, beginning of year	\$ 4,599,981	\$ 6,748	\$ 3,499,700	\$ 21,944	\$ -	\$ 8,128,374	\$ 8,124,378
Acquisitions	-	2,524	-	2,576	7,663	12,763	3,995
Balance, end of year	4,599,981	9,272	3,499,700	24,520	7,663	8,141,137	8,128,373
<b>Accumulated amortization:</b>							
Balance, beginning of year	-	4,457	349,970	11,663	-	366,090	187,804
Annual amortization	-	1,108	174,986	3,127	1,533	180,754	178,286
Balance, end of year	-	5,565	524,956	14,790	1,533	546,844	366,090
<b>Net book value</b>	<b>\$ 4,599,981</b>	<b>\$ 3,707</b>	<b>\$ 2,974,744</b>	<b>\$ 9,730</b>	<b>\$ 6,130</b>	<b>\$ 7,594,293</b>	<b>\$ 7,762,283</b>
<b>2013 net book value</b>	<b>\$ 4,599,981</b>	<b>\$ 2,291</b>	<b>\$ 3,149,730</b>	<b>\$ 10,281</b>	<b>\$ -</b>	<b>\$ 7,762,284</b>	

**CANMORE COMMUNITY HOUSING CORPORATION**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

Schedule of changes in accumulated surplus	Schedule 2				
	Unrestricted	Internally restricted	Equity in tangible capital assets	2014	2013
Balance, beginning of year	\$ 189,757	\$ 818,061	\$ 2,588,992	\$ 3,596,810	\$ 3,516,044
Excess of revenue over expenses	29,802	-	-	29,802	80,766
Unrestricted funds designated for future use	(43,195)	43,195	-	-	-
Restricted funds used for operations	224,327	(224,327)	-	-	-
Current year funds used for tangible capital assets	(12,763)	-	12,763	-	-
Amortization	180,753	-	(180,753)	-	-
Repayment of long term debt	(149,803)	-	149,803	-	-
Change in accumulated surplus	229,121	(181,132)	(18,187)	29,802	80,766
<b>Balance, end of year</b>	<b>\$ 418,878</b>	<b>\$ 636,929</b>	<b>\$ 2,570,805</b>	<b>\$ 3,626,612</b>	<b>\$ 3,596,810</b>