

**Board of Directors Meeting Agenda
Classroom –Civic Centre
April 18, 2019
3:00 p.m. – 5:00 p.m.**

- 1. Approval of Agenda**
- 2. Approval of Minutes**
 - a. Approval of the April 4th, 2019 Board Meeting Minutes
- 3. Business Arising from Minutes**
- 4. Reports:**
 - a. Draft 2018 Audited Statements
 - b. Report from Administration
- 5. New Business**
- 6. Motion Resolution Action List**

All actions completed
- 7. Meeting Adjournment**

*A majority of the Directors in office shall constitute a quorum. In the case of an equality of votes, the Chair shall be entitled to a second or casting vote.
(Articles of Association s45)*



Canmore Community Housing Corporation

DATE OF MEETING: April 18, 2019 **Agenda Item: 4a**

SUBJECT: 2018 Draft Audited Statements

RECOMMENDATION:

- 1) Notwithstanding any edits required/approved because of the auditor's presentation, the Board approve CCHC's 2018 audited statements; and
- 2) Direct that CCHC move \$52,038 from the Hector operating into the Hector reserve; and \$40,837 from the McArthur Place (MP) operating to MP reserve account.

EXECUTIVE SUMMARY

Attached is a copy of CCHC's draft 2018 audited statements. Mr. Calvin Scott, partner with CCHC's auditor Avail CPA, will attend the meeting at 3:15pm to review the draft audited statements with the Board.

DISCUSSION

As a corporation owned by the municipality, CCHC is required under Section 276 of the Municipal Government Act in Alberta to provide for, and complete, an independent audit of all financial accounts.

Hector Reserve

- The 2018 approved budget shows a \$53,038 transfer into the Hector reserve fund, this transfer occurred March 8, 2019;
- The Hector reserve has a balance of \$287,983 as of April 14, 2019; per the replacement reserve fund study indicates there was to be \$273,618 as at Dec 31, 2018;
- The auditor would like the Board to approve the 2018 transfer from unrestricted surplus to the restricted reserves

McArthur Place

- The 2018 approved budget shows a \$16,837 transfer into the McArthur Place reserve fund, this transfer occurred March 8, 2019; an additional \$24,000 was also transferred to reflect the 2017 & 2018 interest payments (also contained in the approved budget) on the \$600,000 loan CCHC had taken with the Town of Canmore to complete the project;
- The McArthur Place reserve account has a balance of \$85,669 as of April 14, 2019; of this amount \$36,688 reflects the interest on the \$600,000 loan, therefore \$48,981 is in the replacement reserve. Per the replacement reserve fund study there was to be \$45,317 in the account as at Dec 31, 2018 (this included an initial contribution of \$44,040 from 2017);
- The auditor would like the Board to approve the 2018 transfers from unrestricted surplus to the restricted reserves

Capital Reserve account

- There was much activity in the capital reserve through 2018 as CCHC was required to pay the GST on the Hawks Bend construction costs through this account (As the project was a homeownership project the lender would not allow CCHC to finance the GST; the Board had been made aware of this in 2017). CCHC has submitted our Public Service Body (PSB) GST return and is awaiting payment of GST expenses as a function of the Hawks Bend & operating GST paid during the second half of 2018.

FINANCIAL IMPACTS: N/A

**ATTACHMENTS: CCHC's Draft 2018 Audited Statements
Avail letter to Board**

Prepared by: Dougal Forteath, Managing Director

Prepared on: April 14, 2019

CANMORE COMMUNITY HOUSING CORPORATION

Financial Statements

For the year ended December 31, 2018

Draft - March 27, 2019

CANMORE COMMUNITY HOUSING CORPORATION
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For the year ended December 31, 2018

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Draft - March 27, 2019



CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Board of
Canmore Community Housing Corporation

Opinion

We have audited the financial statements of the Canmore Community Housing Corporation which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net financial 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 organization as at December 31, 2018, 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 organization 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.

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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

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:

INDEPENDENT AUDITOR'S REPORT, continued

- 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 organization'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 organization'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 company 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.

April 18, 2019

Chartered Professional Accountants

CANMORE COMMUNITY HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	2018	2017
Financial assets		
Cash	\$ 1,221,005	\$ 266,488
Term deposits (note 3)	765,359	792,978
Trade and other receivables (note 4)	287,487	101,594
Funds held in trust (damage deposits)	131,870	111,264
Inventory held for resale (note 5)	3,897,150	-
Investment in future housing developments (note 6)	6,361,891	2,950,130
	12,664,762	4,222,454
Liabilities		
Accounts payable and accrued liabilities	1,932,283	679,934
Deferred revenue (note 7)	489,456	262,118
Funds held in trust (damage deposits)	131,870	111,264
Long-term debt (note 8)	13,983,580	12,128,514
Due to related parties (note 9)	6,081,378	1,660,500
	22,618,567	14,842,330
Net financial debt	(9,953,805)	(10,619,876)
Non-financial assets		
Prepaid expenses and deposits	177,964	1,030
Tangible capital assets (schedule 1)	16,653,837	17,227,452
	16,831,801	17,228,482
Accumulated surplus (note 10 and schedule 2)	\$ 6,877,996	\$ 6,608,606

Commitments and contingencies (note 15)

Approved on behalf of the board:

Director _____

Director _____

CANMORE COMMUNITY HOUSING CORPORATION
STATEMENT OF OPERATIONS
For the year ended December 31, 2018

	Budget (unaudited)	2018	2017
Revenue			
Contributions from Town of Canmore	\$ 500,620	\$ 515,239	\$ 542,935
Resale administration	37,500	25,812	26,816
Interest	4,665	18,754	6,599
Leases	-	8,044	8,044
	542,785	567,849	584,394
Expenses			
Wages and benefits	383,864	383,325	343,260
Rent	30,000	28,920	28,920
Professional fees	19,400	14,663	12,475
Office	31,290	12,527	13,669
Contract service	7,400	5,820	10,221
Telephone and utilities	4,590	3,462	3,377
Resale administration	12,375	2,408	2,452
Insurance	1,995	1,659	1,622
Meals and entertainment	1,530	686	1,290
Computer	1,000	581	707
Communications	2,000	314	448
Interest and bank charges	400	211	195
Other project and program expenses	10,000	-	-
Travel and accommodation	3,000	-	-
Loss on disposal of capital assets	-	233	-
Amortization	3,697	3,697	4,957
	512,541	458,506	423,593
Excess of revenue over expenses before other	30,244	109,343	160,801
Other revenue (expenses)			
Housing resale revenue	-	6,661,043	-
Housing resale expenses	-	(6,398,639)	-
Rental revenue	1,388,313	1,447,006	1,312,945
Rental interest	(473,113)	(471,866)	(488,883)
Rental expenses	(499,678)	(467,251)	(438,349)
Rental capital reserve expenditures	(9,065)	(25,515)	-
Rental amortization	(584,731)	(584,731)	(435,858)
	(178,274)	160,047	(50,145)
Excess (deficiency) of revenue over expenses	(148,030)	269,390	110,656
Accumulated surplus, beginning of year	6,608,606	6,608,606	6,497,950
Accumulated surplus, end of year	6,460,576	6,877,996	6,608,606

CANMORE COMMUNITY HOUSING CORPORATION
STATEMENT OF CHANGES IN NET FINANCIAL DEBT
For the year ended December 31, 2018

	Budget (unaudited)	2018	2017
Excess (deficiency) of revenue over expenses	\$ (148,030)	\$ 269,390	\$ 110,656
Acquisition of tangible capital assets	(2,100)	(15,046)	(4,324,309)
Amortization	588,428	588,428	440,815
Loss on disposal of tangible capital assets	-	233	-
	586,328	573,615	(3,883,494)
Net change in prepaid expenses	-	(176,934)	3,545
Change in net financial debt	438,298	666,071	(3,769,293)
Net financial debt, beginning of year	(10,619,876)	(10,619,876)	(6,850,583)
Net financial debt, end of year	(10,181,578)	(9,953,805)	(10,619,876)

Draft - March 27, 2019

CANMORE COMMUNITY HOUSING CORPORATION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

	2018	2017
Operating transactions		
Excess (deficiency) of revenue over expenses	\$ 269,390	\$ 110,656
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	233	-
Amortization	588,428	440,815
	858,051	551,471
Net change in non-cash working capital items		
Trade and other receivables	(185,893)	72,971
Inventory held for resale	(3,897,149)	-
Prepaid expenses and deposits	(176,934)	3,545
Accounts payable and accrued liabilities	1,252,349	635
	(2,149,576)	628,622
Investing transactions		
Decrease (increase) in term deposits	27,619	(233,906)
	27,619	(233,906)
Capital transactions		
Acquisition of tangible capital assets	(15,046)	(4,324,309)
Applied to future housing development and inventory held for resale	(22,663)	(8,044)
Contributions received for inventory held for resale	250,000	-
Investment in future housing developments	(3,411,761)	1,214,221
	(3,199,470)	(3,118,132)
Financing transactions		
Proceeds on long-term debt	7,294,432	1,843,873
Repayment of long-term debt	(5,439,366)	(311,870)
Advances from related parties	4,420,878	898,000
	6,275,944	2,430,003
Increase (decrease) in cash	954,517	(293,413)
Cash, beginning of year	266,488	559,901
Cash, end of year	\$ 1,221,005	\$ 266,488

CANMORE COMMUNITY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

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.

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.

Rental income is recognized in the financial statements as revenue in the period in which the income is earned. Security deposits are not recognized as revenue, but rather are held in trust until returned to the tenant or used to offset damages caused, at which time they would be recognized into revenue.

CANMORE COMMUNITY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

2. Significant accounting policies, continued

(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) 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	4% declining balance
Computer hardware	50% declining balance
Computer software	2 years straight line
Furniture and office equipment	5 years straight line
Land improvements	5 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.

(d) 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.

(e) Cash and cash equivalents

The organization includes cash on hand, held by financial institutions in operating accounts, and temporary investments in the determination of cash and cash equivalents.

CANMORE COMMUNITY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

3. Term deposits

Term deposits bear interest between 1.85% and 2.20% and have maturity dates ranging from January 2019 to June 2019. The carrying value of the term deposits approximates their fair value.

4. Trade and other receivables

	2018	2017
Mountain Haven Cooperative Homes	\$ 350,000	\$ -
Trade receivables	22,858	22,761
GST (payable) receivable	(85,371)	78,833
	\$ 287,487	\$ 101,594

The Mountain Haven Cooperative amount is held in trust until the completion of the condominium conversion. The condominium corporation formed will seek approval for the issuance of a promissory note evidencing a debt owing for the purpose of establishing a reserve fund. If the promissory note is approved, the debt will be repaid by the condominium corporation in 120 equal payments on the 15th of each month commencing the first month following the conversion, without interest. In the event that the issuance of the promissory note is not approved, the \$350,000 plus interest earned will be returned to the organization immediately.

5. Inventory held for resale

Inventory includes 17 units of Mountain Haven Cooperative Homes that will be developed into condominiums and sold.

6. Investment in future housing developments

	2018	2017
Old Daycare Lands land and development costs	\$ 6,350,955	\$ 2,941,528
Palliser Village - Lot 7 costs	6,964	5,725
Palliser Village - Block 6 costs	3,973	2,878
	\$ 6,361,891	\$ 2,950,130

CANMORE COMMUNITY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

7. Deferred revenue

	2018	2017
Lease revenue	\$ 254,074	\$ 262,118
Mountain Haven Cooperative Homes conversion contribution	235,382	-
	<u>\$ 489,456</u>	<u>\$ 262,118</u>

The organization has entered into an agreement with Mountain Haven Cooperative 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.

During the year, the organization received \$250,000 from the Town of Canmore to assist in converting the Mountain Haven Cooperative Homes from a cooperative to a condominium corporation. During the year, \$14,619 was spent to convert the units which was recognized into revenue. The remaining balance will be recognized as revenue when the related conversion costs are incurred.

CANMORE COMMUNITY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

8. Long term debt

	2018	2017
Town of Canmore This loan is repayable at \$202,795 semi-annually including interest at 4.98%. The loan is due in 2034.	\$ 4,344,841	\$ 4,527,218
Bank of Montreal This demand loan is repayable monthly with interest-only payments at 3.88%. Full repayment is due within 24 months of the initial construction advance and no later than September, 2019.	3,634,359	1,439,540
Bow Valley Credit Union This loan is repayable at \$21,416 monthly including interest at 3.90%. The loan is due in 2020.	3,898,199	4,000,978
This loan is repayable at \$11,491 monthly including interest at 3.90%. The loan is due in 2021.	2,106,181	2,160,778
	\$ 13,983,580	\$ 12,128,514
Current portion	\$ 3,989,548	\$ 339,745

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2019	\$ 3,989,548	\$ 445,284	\$ 4,434,832
2020	4,051,594	429,532	4,481,126
2021	2,201,782	245,653	2,447,435
2022	222,036	183,554	405,590
2023	233,232	172,359	405,591
Thereafter	3,285,388	1,378,906	4,664,294
	\$ 13,983,580	\$ 2,855,288	\$ 16,838,868

Security on the Bow Valley Credit Union loans consist of a 1st and 2nd collateral mortgage over Plan 0412844, Block 4, Lot 39 (100 Dygras Lane); assignment of rents registered by caveat; GSA registered at PPSA; environmental questionnaire and indemnity; loan agreements totaling \$6,300,000 and a corporate guarantee of the Town of Canmore totaling \$1,575,000.

Security on the Bank of Montreal loan consists of 1st collateral mortgage over Plan 1710510, Block 2, Lot 31; assignment of rents and leases; assignment of sale proceeds; GSA registered at PPSA specific to the property being mortgaged; environmental indemnity agreement, and a corporate guarantee of the Town of Canmore totaling \$5,645,500. The loan is advanced to assist with the construction of the Old Daycare Lands project and is therefore classified as operating.

CANMORE COMMUNITY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

9. Related party transactions

	2018	2017
Town of Canmore - Mountain Haven Cooperative Homes	\$ (4,245,000)	\$ -
Town of Canmore - Old Daycare Lands	(1,298,000)	(1,298,000)
Town of Canmore - McArthur Place	(600,000)	(600,000)
Town of Canmore - Resale Line of Credit	(175,878)	-
Town of Canmore - Three Sisters Mountain Village	(162,500)	(162,500)
Town of Canmore - Development Agreement Deposit	400,000	400,000
	<u>\$ (6,081,378)</u>	<u>\$ (1,660,500)</u>

The organization is funded primarily through contributions from the Town of Canmore. During the year, the organization was allocated \$475,000 (2017 - \$470,000) 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. Contributions have been recorded in the amount of \$25,620 for in-kind rent (2017 - \$25,620).

During the year, the Town of Canmore has advanced a total of \$4,245,000 to assist with the purchase of 17 units from Mountain Haven Cooperative Homes (MHCH). The corporation will repay the advance to the Town from any proceeds of the eventual sale of any of the 17 units acquired. The loan is interest free and there are no specific terms of repayment.

The Town also contributed \$250,000 to the corporation to implement actions and activities required to transition MHCH to a managed PAH development. This amount is not repayable to the Town. \$14,619 of this spending was spent during the year and recognized as revenue. The remaining portion of \$235,381 is in deferred revenue until the related conversion costs are spent.

During 2017, the organization purchased a parcel of land from the Town of Canmore for the Old Daycare Land project for \$1,300,000. The remaining amount of \$1,298,000 (2017 - \$1,298,000) will become repayable in 2019 when Phase three of Old Daycare Land project is complete. The loan is interest free and there are no specific terms of repayment.

The Town of Canmore has advanced a total of \$600,000 (2017 - \$600,000) to assist with the construction of McArthur Place. This loan bears interest at 2%. The principal plus accrued interest is repayable in 2020. As of December 31, 2018, \$36,972 of outstanding interest has been included in accounts payable (2017 - \$24,972).

CANMORE COMMUNITY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

9. Related party transactions, continued

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, 2018 the line of credit was withdrawn \$175,878 (2017 - unused).

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, 2018, \$162,500 of this amount was outstanding (2017 - \$162,500).

In relation to the Old Daycare Land project, the organization has paid the Town of Canmore \$400,000 (2017 - \$400,000) for the development agreement deposit during the year. This will be repaid once the Town of Canmore is satisfied that the development has been constructed in accordance with the development permit.

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.

10. Accumulated surplus

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

	2018	2017 (restated)
Unrestricted surplus (deficit)	\$ 81,994	\$ (421,258)
Internally restricted surplus (reserves) (note 11)	491,386	491,386
Equity in tangible capital assets (note 12)	6,304,616	6,538,478
	\$ 6,877,996	\$ 6,608,606

CANMORE COMMUNITY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

11. Internally restricted surplus (reserves)

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

	2018	2017
Capital reserve fund	\$ 199,813	\$ 199,813
The Hector building reserve fund	259,533	259,533
McArthur Place building reserve fund	32,040	32,040
	<u>\$ 491,386</u>	<u>\$ 491,386</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 and McArthur Place building reserve funds are restricted for the costs of major repairs and or replacement of building components for The Hector and McArthur Place rental properties.

A portion of reserves are invested in term deposits.

12. Equity in tangible capital assets

	2018	2017 (restated)
Tangible capital assets (schedule 1)	\$ 18,903,927	\$ 18,891,191
Accumulated amortization (schedule 1)	(2,250,090)	(1,663,739)
Long term debt (note 8)	(13,983,580)	(12,128,514)
Long term debt - operating (note 8)	3,634,359	1,439,540
	<u>\$ 6,304,616</u>	<u>\$ 6,538,478</u>

13. 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.

CANMORE COMMUNITY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

14. Budget amounts

The 2018 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.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

In addition, the approved budget did not contain an amount for amortization expense. In order to enhance comparability, the actual amortization expense has been included as a budget amount.

Budgeted deficit per financial statements	\$ (148,030)
Less: Capital expenditures	(2,100)
Long-term debt repayments	(339,359)
Net transfers to reserves	(59,810)
Add: Amortization	588,428
<u>Equals: Budgeted surplus</u>	<u>\$ 39,129</u>

15. Commitments and contingencies

Canmore Community Housing Corporation has a future commitment to complete the Old Daycare Lands (Hawks Bend) construction project started in 2017. The total cost to the organization is estimated to be \$16,990,000 which will be funded by long-term debt.

During the year, Canmore Community Housing Corporation entered into an agreement to purchase 4 PAH units at 7th and 7th in Canmore and 3 units at Lookout Ridge in Canmore. The total cost to the organization is \$1,675,025 plus GST which will be funded by the line of credit. Deposits in the amount of \$175,879 have been paid and are included in prepaid expenses and deposits.

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
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

16. Subsequent event

In 2016, Canmore Community Housing Corporation entered into an agreement to purchase 7 PAH units at Peaks Landing in Canmore, subject to various terms and conditions. The units will have an approximate cost ranging from \$385,000 to \$412,500 each depending on the number of bedrooms in the units. There has been no change in this event as the developers are awaiting approval from the Town to allow for a re-zoning of the subject lands. Therefore, Canmore Community Housing Corporation has not moved forward with the purchases as of December 31, 2018.

Subsequent to year-end, Canmore Community Housing Corporation entered into an agreement to reacquire a PAH unit at Glacier Rock Lodge in Canmore, at the maximum resale value. The purchase price will be fully paid and vacant possession will be available on April 1, 2019.

17. Financial instruments

The organization's financial instruments consist of cash and temporary investments, trade and other receivables, amounts due from related parties, accounts payable and accrued liabilities, and long-term debt. 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.

18. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

Damage deposits held by PEKA Property Management have been classified separately on the balance sheet as funds held in trust assets rather than combined with due to related parties. The changes do not affect prior year earnings.

The opening balance of debt related to investment in future housing developments has been reallocated between equity in tangible capital assets and unrestricted surplus to better reflect the use of the debt proceeds.

CANMORE COMMUNITY HOUSING CORPORATION
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of tangible capital assets

Schedule 1

	Land	Leasehold improvements	Buildings	Computer hardware	Computer software	Land improvements	Furniture and office equipment	2018	2017
Cost:									
Balance, beginning of year	\$ 4,599,981	\$ 9,272	\$ 13,760,240	\$ 15,271	\$ 1,459	\$ 494,816	\$ 10,152	\$ 18,891,191	\$ 14,566,882
Acquisitions	-	-	12,772	2,274	-	-	-	15,046	4,324,309
Disposals	-	-	-	(2,310)	-	-	-	(2,310)	-
Balance, end of year	4,599,981	9,272	13,773,012	15,235	1,459	494,816	10,152	18,903,927	18,891,191
Accumulated amortization:									
Balance, beginning of year	-	8,767	1,622,438	13,852	1,459	9,897	7,326	1,663,739	1,222,924
Annual amortization	-	505	485,768	1,162	-	98,963	2,030	588,428	440,815
Disposals	-	-	-	(2,077)	-	-	-	(2,077)	-
Balance, end of year	-	9,272	2,108,206	12,937	1,459	108,860	9,356	2,250,090	1,663,739
Net book value	\$ 4,599,981	\$ -	\$ 11,664,806	\$ 2,298	\$ -	\$ 385,956	\$ 796	\$ 16,653,837	\$ 17,227,452
2017 net book value	\$ 4,599,981	\$ 505	\$ 12,137,802	\$ 1,419	\$ -	\$ 484,919	\$ 2,826	\$ 17,227,452	

CANMORE COMMUNITY HOUSING CORPORATION
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of changes in accumulated surplus				Schedule 2	
	Unrestricted	Internally restricted	Equity in tangible capital assets	2018	2017
Balance, beginning of year					
As previously stated	\$ 1,018,282	\$ 491,386	\$ 5,098,938	\$ 6,608,606	\$ 6,497,950
Opening long term debt - operating (note 18)	(1,439,540)	-	1,439,540	-	-
As restated	(421,258)	491,386	6,538,478	6,608,606	6,497,950
Excess of revenue over expenses	269,390	-	-	269,390	110,656
Current year funds used for tangible capital assets	(15,046)	-	15,046	-	-
Disposal of tangible capital assets	233	-	(233)	-	-
Amortization	588,428	-	(588,428)	-	-
Proceeds from long term debt - capital	(339,753)	-	339,753	-	-
Change in accumulated surplus	503,252	-	(233,862)	269,390	110,656
Balance, end of year	\$ 81,994	\$ 491,386	\$ 6,304,616	\$ 6,877,996	\$ 6,608,606

April 18, 2019

Board of Directors
Canmore Community Housing Corporation
203, 600A 9th Street
Canmore, AB T1W 2T2

Ladies and Gentlemen:

We have completed our audit of the financial statements of Canmore Community Housing Corporation for the year ended December 31, 2018. Our audit included consideration of internal control relevant to the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, our review of any given control was limited and would not disclose all weaknesses in the system or all matters which an in-depth study might indicate. As you know, the maintenance of an adequate system of internal controls is the responsibility of the Board of Directors.

The following matters that we are reporting to you are limited to deficiencies identified during the audit that are of sufficient importance to merit being reported.

Internally restricted reserves

It was noted during the course of the audit that there were no recorded transfers to/from the internally restricted reserve accounts, however, there were changes to the related bank accounts for actual funds transferred to/from operating and reserve. It would appear that the internally restricted reserve accounts are not being adjusted for transfers that have occurred.

We recommend that management track the internally restricted reserve accounts for the capital reserve, McArthur Place building reserve, and Hector building reserve. Any transfers to/from unrestricted surplus to internally restricted reserves should be approved by the Board.

This communication is prepared solely for the information of the Board members and management of Canmore Community Housing Corporation and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

We wish to emphasize that our discussion and recommendations are meant solely to bring to your attention areas where the accounting system and procedures could be improved and is in no way a reflection on the competence or integrity of the staff working at Canmore Community Housing Corporation.

We would like to thank Min Sun Veluchamy and Dougal Forteath for their assistance during our audit. Thank you for the continuing opportunity to be of service to your organization and we look forward to serving you in the future. If you have any questions or concerns regarding our audit or any other issues with which you may require our assistance, please do not hesitate to contact us.

Thank you.

Yours truly,

Board of Directors
Canmore Community Housing Corporation
Page 2
April 18, 2019

AVAIL LLP

Calvin Scott, CPA, CA

Draft - March 27, 2019



Canmore Community Housing Corporation

For Information

DATE OF MEETING: April 18, 2019 **Agenda Item: 4b**

SUBJECT: Managing Director's Report

RECOMMENDATION: For information

EXECUTIVE SUMMARY

The Administration Report summarizes activities relative to CCHC's operations and Strategic Plan as required.

1.0 OPERATIONS UPDATE

CCHC is currently advertising to fill the role of Manager, Housing Programs; the deadline for applications is 3pm Tuesday April 23rd.

2.0 Hawks Bend

Construction update: Cathy-Anne David will provide the Board with a verbal report/update at the May 2nd meeting.

CCHC administration: will provide a verbal update as to the status of the move-ins and related matters

3.0 Town of Canmore

Michael Fark will provide a verbal update as to the Peaks Landing re-zoning application.

Prepared by: Dougal Forteath, Managing Director

Prepared on: April 14th, 2019