Financial Statements

Attainable Homes Calgary Corporation

For the years ended December 31, 2012 and 2011

Contents

Independent Auditor's Report

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To the Directors of

Attainable Homes Calgary Corporation

We have audited the accompanying financial statements of **Attainable Homes Calgary Corporation** which comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations and accumulated operating surplus, change in net financial assets and cash flows for the years ended December 31, 2012 and 2011, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 judgement, 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 in our audits 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 **Attainable Homes Calgary Corporation** as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operation and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian public sector accounting standards.

Calgary, Alberta
February 28, 2013

Grant Thornton LLP
Chartered Accountants

Attainable Homes Calgary Corporation

Statement of Financial Position

As at	**December 31, 2012**	December 31, 2011	January 1, 2011
Financial assets			
Cash and cash equivalents	**$ 266,105**	$ 988,924	$ 1,174,847
Accounts receivable	**15,653**	59,951	22,000
Site development costs	**209,982**	61,915	-
Deposits on units (Note 4)	**1,433,257**	1,347,500	-
Equity receivables (Note 5)	**2,321,968**	388,500	-
Land (Note 6)	**5,960,532**	5,188,312	-
Total financial assets	**10,207,497**	8,035,102	1,196,847
Liabilities			
Accounts payable and accrued liabilities	**99,191**	119,624	39,305
Credit facility (Note 7)	**1,200,000**	1,200,000	-
Mortgages payable (Note 8)	**6,283,682**	5,188,312	-
Site development loan (Note 8)	**-**	323,150	-
Deferred sponsorship revenue	**10,683**	17,618	-
Customer deposits	**120,000**	130,000	10,000
Total liabilities	**7,713,556**	6,978,704	49,305
Net financial assets	**2,493,941**	1,056,398	1,147,542
Non-financial assets			
Tangible capital assets (Note 10)	**55,460**	66,275	88,277
Prepaid expenses	**2,525**	2,755	1,000
Total non-financial assets	**57,985**	69,030	89,277
Accumulated operating surplus	**$ 2,551,926**	$ 1,125,428	$ 1,236,819

Commitments (Note 13)
Subsequent events (Note 14)

On behalf of the Board

(signed) "David Laycock" **Director** (signed) "Brian Pincott" **Director**

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation

Statement of Operations and Accumulated Operating Surplus

Years Ended December 31	**2012**	2011
Revenue		
Sales	**$ 22,473,800**	$ 7,528,500
Interest revenue	**4,513**	5,968
Sponsorship revenue	**22,900**	14,500
Other revenue	**26,215**	741,244
	22,527,428	8,290,212
Expenditures		
Cost of goods sold	**19,634,293**	6,992,000
Marketing and sales	**227,619**	413,400
Professional fees	**248,944**	232,393
Occupancy expenses	**98,827**	63,317
Salaries and benefits	**761,879**	589,960
Amortization of tangible capital assets	**29,330**	26,310
General and administrative	**54,858**	63,604
Interest expense	**40,680**	20,619
Loss on equity receivables	**4,500**	-
Operating surplus (deficit)	**1,426,498**	(111,391)
Accumulated operating surplus at beginning of year	**1,125,428**	1,236,819
Accumulated operating surplus at end of year	**$ 2,551,926**	$ 1,125,428

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation

Statement of Change in Net Financial Assets

Years Ended December 31	2012	2011
Operating surplus (deficit)	**$ 1,426,498**	$ (111,391)
Tangible capital assets		
Purchases of tangible capital assets	**(18,515)**	(4,308)
Amortization of tangible capital assets	**29,330**	26,310
	1,437,313	(89,389)
Others		
Decrease in prepaid expenses	**230**	(1,755)
Increase (decrease) in net financial assets	**1,437,543**	(91,144)
Net financial assets, beginning balance	**1,056,398**	1,147,542
Net financial assets, ending balance	**$ 2,493,941**	$ 1,056,398

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation

Statement of Cash Flows

Years Ended December 31	**2012**	2011
Net inflow (outflow) of cash related to the following activities:		
Operating		
Surplus (deficit)	**$ 1,426,498**	$ (111,391)
Non-cash items:		
Amortization of tangible capital assets	**29,330**	26,310
Non-cash working capital		
Accounts receivable	**44,298**	(37,951)
Prepaids and deposits	**(85,527)**	(1,349,255)
Equity receivables	**(1,933,468)**	(388,500)
Accounts payable and accrued liabilities	**(20,433)**	80,319
Deferred sponsorship revenue	**(6,935)**	7,618
Customer deposits	**(10,000)**	130,000
Change in non-cash working capital	**(2,012,065)**	(1,557,769)
Cash used in operating activities	**(556,237)**	(1,642,850)
Capital transactions		
Site development costs	**(148,067)**	(61,915)
Purchases of tangible capital assets	**(18,515)**	(4,308)
Cash used in capital activities	**(166,582)**	(66,223)
Financing transactions		
Proceeds from credit facility	**-**	1,200,000
Proceeds from site development loan	**-**	323,150
Cash provided by financing activities	**-**	1,523,150
Net increase (decrease) in cash and cash equivalents during the year	**(722,819)**	(185,923)
Cash and cash equivalents, beginning of year	**988,924**	1,174,847
Cash and cash equivalents, end of year	**$ 266,105**	$ 988,924

See accompanying notes to the financial statements.

1. Nature of the business

Attainable Homes Calgary Corporation (the “Corporation”), a private not-for-profit corporation, is wholly-owned by the City of Calgary (the “City”) and was incorporated November 27, 2009 under the Business Corporations Act of the Province of Alberta. The Corporation provides working, moderate-income Calgarians an opportunity for home ownership through private and public sector development of entry-level housing.

2. Significant accounting policies

a. Basis of presentation

The financial statements are prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board (“PSAB for Government NPOs”).

b. Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and is measurable. Expenses are recognized as they are incurred and are measurable based upon receipt of goods and services and/or the legal obligation to pay.

c. Revenue recognition

Revenue from the sale of housing units is recognized at title transfer of the housing unit and when collectability is reasonably assured. Amounts received from customers that have not met the revenue recognition criteria are included in customer deposits.

Sponsorship revenue is recognized over the period that the sponsorship is related to. Where sponsorship revenue is received during the current period, but relates to future periods, the amount is deferred and included in liabilities on the statement of financial position.

Other revenues include government transfers, contributions and other amounts that are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired. Government transfers and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Interest revenue is recognized when earned.

2. Significant accounting policies (continued)

d. Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and bankers' acceptances with original maturities of 90 days or less at the date of acquisition and are recorded at cost.

e. Site development costs and land

Site development costs and land are carried at the lower of cost and net realizable value.

Land will be used for the construction and development of housing units and consists of the acquisition costs of the land.

Site development costs consist of the capitalized expenditures related to the construction and development of land. Any incidental revenues related to the land inventory have been netted against the site development costs.

f. 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. The change in non-financial assets during the year, together with the excess of revenues over expenditures, provides the information presented in the Statement of Change in Net Financial Assets for the year.

g. Tangible capital assets

Tangible capital assets are recorded at historical 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 on a straight-line basis over the estimated useful life as follows:

	Years
Computers	5
Office equipment and furniture	5
Leasehold improvements	3

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Site development costs are not amortized until the asset is available for productive use.

2. Significant accounting policies (continued)

h. Accumulated operating surplus

Accumulated operating surplus represents the Corporation's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Corporation has net resources (financial and physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

i. Impairment of assets

When conditions indicate that a tangible capital asset, site development costs or land no longer contributes to the Corporation's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset, site development costs or land are less than its net book value, the cost of the tangible capital asset, site development costs or land is reduced to reflect the decline in the asset's value. The write-down would be included in the statement of operations.

j. Financial instruments and fair values

All of the Corporation's financial instruments have been measured at cost or amortized cost.

The Corporation is exposed to interest rate risk and credit risk.

k. Use of estimates

The financial statements are prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the year. Significant estimates include the provision for asset impairment, useful lives of tangible capital assets and accrued liabilities. Actual results could differ from those estimates.

3. First time adoption of public sector accounting standards

The Public Sector Accounting Board (PSAB) issued new standards for government not-for-profit organizations (NPOs). For years beginning on or after January 1, 2012, government NPOs have a choice of:

i) Public sector accounting standards including PS 4200 – 4270 for government NPOs; or

ii) Public sector accounting standards.

The Corporation has chosen to follow Public Sector Accounting standards including PS 4200 – 4270 for government NPOs.

3. First time adoption of public sector accounting standards (continued)

Effective January 1, 2012, the Corporation adopted the requirements of the new accounting framework, PSAB for government NPOs. These are the Corporation's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by government Organizations have been applied. Section 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the Statement of Significant Accounting Policies have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening PSAB for government NPOs statement of financial position at the date of transition of January 1, 2011.

The Corporation issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles ("GAAP") for local government organizations as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The adoption of PSAB for Government NPOs did not result in adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the Corporation.

Upon transition, the Corporation did not have any transactions that warranted application of the optional exemptions.

4. Deposit on units

The Corporation has paid $1,433,257 in refundable deposits for 128 housing units. In 2011, the Corporation paid $649,100 (January 1, 2011 - $Nil) in non-refundable deposits to purchase 66 housing units and $698,400 (January 1, 2011 - $Nil) in refundable deposits for 48 housing units, all of which were sold in 2012.

5. Equity receivables

Equity receivables are comprised of amounts that customers owe the Corporation for the purchase of housing units through participation in the Corporation's housing programs. If the customer complies with all the terms of the purchase agreement, then upon the customer selling the unit and repayment of a Participation Amount, the equity receivable is forgiven and no repayment of the principal is required. The Participation Amount is the greater of a specified minimum amount for each unit or the amount calculated as a percentage of the appraised current market value less the customer's deposit and secured first mortgage. The percentage used to calculate the Participation Amount is defined by the time period between the closing date, the date the Corporation sells the unit to the customer, and the disposition date, the date the customer sells the unit, as follows:

5. Equity receivables (continued)

Length of ownership of the unit by the customer	% of the Participation Amount
From the closing date to the first anniversary of the closing date	100%
From the first anniversary to the second anniversary of the closing date	75%
From the second anniversary to the third anniversary of the closing date	50%
From the third anniversary until the disposition of the unit	25%

6. Land

On August 30, 2012, the Corporation and the City entered into a Mortgage (Note 8) and a purchase and sale agreement, whereby the Corporation purchased three parcels of land (the "Lands") from the City. The Lands have been recorded at the carrying value of $772,220. On April 7, 2011, the Corporation and the City entered into a Mortgage (Note 8) and a purchase and sale agreement, whereby the Corporation purchased four parcels of land (the "Lands") from the city. The Lands have been recorded at the carrying value of $5,188,312.

7. Credit facility

On June 27, 2011, the Corporation and the City entered into an agreement for a $10 million dollar non-revolving reducing credit facility, where the Corporation would be advanced funds for the purpose of financing start-up costs associated with the Corporation. The Corporation is not entitled to obtain a re-advance or re-borrowing of any portion of the credit facility. Interest is payable on advances semi-annually at a rate of 3.195%, which is the 10 year fixed Alberta Capital Finance Authority ("ACFA") rate as of July 1, 2011. As at December 31, 2012 and 2011, the Corporation has $1.2 million outstanding on the credit facility and interest has been paid to December 31, 2012.

8. Mortgages payable

On August 30, 2012, the Corporation and the City entered into a Mortgage and a purchase and sale agreement, whereby the Corporation received the deemed principal sum of $772,220 by advancement of the transfer of three parcels of land (the "Lands") by the City to the Corporation. The agreement allows for the advancement of an additional parcel of land with a deemed principal sum of $178,438. The site development loan of $323,150 advanced by the City to the Corporation on December 29, 2011 has been included in this Mortgage agreement. The maturity date of the Mortgage is the earlier of (i) September 27, 2022 (ii) in the event the Corporation sells any parcel of land, then a portion of the principal sum allocated to the sold parcel as outlined in the Mortgage agreement or (iii) in the event the Corporation sells the Lands in a single transaction, then on the date the Corporation receives the net proceeds of the sale. There is no interest on the principal sum provided the Corporation is not in default of any obligations under the Mortgage. Should the Corporation be in an event of default, the interest rate on the Mortgage is the floating annual prime rate as established by the Royal Bank of

8. Mortgages payable (continued)

Canada and is payable on the outstanding principle sum from the date of event of default to the maturity date. The Corporation was not in default at year end.

The Corporation and the City had also entered into a Mortgage and a purchase and sale agreement on April 7, 2011, whereby the Corporation received the deemed principal sum of $5,188,312 by advancement of the transfer of four parcels of land (the “Lands”) by the City to the Corporation. The maturity date of the Mortgage is the earlier of (i) August 3, 2021, (ii) in the event the Corporation sells any parcel of land, then a portion of the principal sum allocated to the sold parcel as outlined in the Mortgage agreement or (iii) in the event the Corporation sells the Lands in a single transaction, then on the date the Corporation receives the net proceeds of the sale. There is no interest on the principal sum provided the Corporation is not in default of any obligations under the Mortgage. Should the Corporation be in an event of default, the interest rate on the Mortgage is the floating annual prime rate as established by the Royal Bank of Canada and is payable on the outstanding principle sum from the date of event of default to the maturity date. The Corporation was not in default at year end.

9. Pension plan

The Corporation provides a contributory pension plan for qualifying employees through participation in the Local Authorities Pension Plan (“LAPP”). LAPP is a multi-employer plan offered to various unrelated employers throughout Alberta. The responsibility for strategic direction and plan asset management is held by the LAPP board of directors, composed of management and labour representatives. The plan provides a defined benefit pension based on the employee’s earnings and length of service. The Corporation has accounted for its participation in the plan using defined contribution accounting, as there is insufficient information to apply defined benefit accounting. In 2012, the expense funded and recognized by the Corporation was $41,793 (2011 - $40,442).

10. Tangible capital costs

	December 31, 2012		
	Cost $	Accumulated Depreciation $	**Net Book Value** **$**
Computers	43,209	19,620	**23,589**
Office equipment and furniture	26,784	12,343	**14,441**
Leasehold improvements	54,046	36,616	**17,430**
Total tangible capital assets	124,039	68,579	**55,460**

10. Tangible capital costs (continued)

	December 31, 2011		
	Cost $	Accumulated Depreciation $	Net Book Value $
Computers	23,546	7,064	16,482
Office equipment and furniture	39,712	11,052	28,660
Leasehold improvements	42.266	21.133	21,133
Total tangible capital assets	105,524	39,249	66,275

	January 1, 2011		
	Cost $	Accumulated Depreciation $	Net Book Value $
Computers	23,546	2,355	21,191
Office equipment and furniture	35,404	3,540	31,864
Leasehold improvements	42,266	7,044	35,222
Total tangible capital assets	101,216	12,939	88,277

11. Share capital

The Corporation is authorized to issue an unlimited number of common shares. The shares can be issued only to the City, its agent or successor and are not otherwise transferable. As at December 31, 2012, December 31, 2011 and January 1, 2011 one share was issued.

12. Financial instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, equity receivables, accounts payable and accrued liabilities, credit facility, site development loan and mortgages payable. The carrying value of the cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the short term nature of these financial instruments. The estimated fair value of the mortgages payable is $5,176,412 (2011 – $4,171,215) and the site development loan is $Nil (2011 - $259,800). Calculation of the estimated fair value of the mortgages payable is based on lending rates obtainable at December 31 for loans with comparable maturities from the City's primary lender, the ACFA. The carrying value of the credit facility approximates fair value as the credit facility's interest rate is based on ACFA rates. The fair value of the equity receivables is not determinable as the fair value is dependent on the future market value of the units and the timing of when customers sell the units.

12. Financial instruments

a. Interest rate risk

Interest rate risk reflects the sensitivity of the Corporation's financial results and condition to movements in interest rates. Interest rate risk is limited for the credit facility as the interest is locked in through ACFA. Interest rate risk is also limited for the mortgages payable and site development loan as interest is only payable in the event of default.

b. Credit risk

The Corporation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Credit risk with respect to cash is limited as cash is placed with major financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the various types of organizations who owe the amounts.

13. Commitments

The Corporation is committed to a mortgage payable related to a transfer of land from the City in the sum of $178,438.

14. Subsequent events

In January 2013, the Corporation entered into an agreement to purchase 6 townhomes at the Skyview Ranch site. A non-refundable deposit of $68,750 was paid for these units.

In January 2013, the Corporation accepted an offer from a vendor to purchase the Parkdale site for an amount of $3,100,000. The transaction is expected to complete by February 28, 2013 subject to the Vendor satisfying itself with respect to the due diligence conditions outlined in the offer.