

FORWARD HOUSING ASSOCIATION - AFFORDABLE HOUSING

(formerly Bishop O'Byrne Housing Association - Affordable Housing)

Financial Statements

December 31, 2020

FORWARD HOUSING ASSOCIATION - AFFORDABLE HOUSING

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December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of Forward Housing Association - Affordable Housing

Opinion

We have audited the financial statements of Forward Housing Association - Affordable Housing (the "Association"), which comprise the statements of financial position as at December 31, 2020 and December 31, 2019, and the statements of operations, changes in net assets and cash flow for the years 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 Association as at December 31, 2020 and December 31, 2019, and the results of its operations and cash flow for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 Association in accordance with 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 ASNPO, 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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:

- 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 Association's internal control.


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Independent Auditor's Report to the Members of Forward Housing Association - Affordable Housing *(continued)*

- 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 Association'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 Association 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.

Calgary, Alberta
March 25, 2021


KAHN HALPERN MARSHALL
Professional Corporation
Chartered Professional Accountants

FORWARD HOUSING ASSOCIATION - AFFORDABLE HOUSING

Statement of Financial Position

December 31, 2020

	2020	2019
ASSETS		
Current		
Cash	\$ 3,300,611	\$ 1,654,671
Accounts receivable	846,295	196,802
Short-term investments (Note 3)	150,000	3,887,332
Tenant social funds	3,812	3,003
Tenant security deposits	32,850	34,118
Prepays	20,426	8,967
Reserve fund (Note 2)	207,330	175,496
Due from Forward Housing Association - Management Body	-	52,320
	4,561,324	6,012,709
Capital assets (Note 4)	6,901,721	7,133,892
Property under development (Note 5)	17,470,223	5,036,693
	\$ 28,933,268	\$ 18,183,294

LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 1,019,866	\$ 760,411
Construction holdback payable	679,935	208,672
Tenant social funds payable	3,812	3,003
Security deposits payable	32,850	34,118
Due to Forward Housing Association - Management Body (Note 6)	38,855	-
Current portion of mortgage payable (Note 10)	41,680	40,513
Deferred revenue (Note 7)	305,088	175,257
Current portion of deferred capital contributions Columbus Place (Note 8)	144,600	144,600
	2,266,686	1,366,574
Mortgage payable (Note 10)	10,833,489	2,445,046
Deferred capital contributions Columbus Place (Note 8)	4,281,178	4,425,778
Deferred capital contributions Bishop's Manor (Note 9)	10,459,107	8,920,664
	27,840,460	17,158,062
Net assets		
Net assets	1,092,808	1,025,232
	\$ 28,933,268	\$ 18,183,294

Commitments (Note 11)
Subsequent event (Note 12)

Approved by the Board of Directors

 _____ Director
 _____ Director

See notes to financial statements

FORWARD HOUSING ASSOCIATION - AFFORDABLE HOUSING

Statement of Operations Year Ended December 31,

	2020	2019
Revenue		
Rental	\$ 593,445	\$ 600,101
Amortization of deferred capital contributions (Note 8)	144,600	144,600
Utility recoveries	59,005	61,062
Interest	25,016	20,013
Donations	25,000	-
Amortization of deferred revenue (Note 7)	22,135	23,425
Parking and sundry	20,486	15,522
	<u>889,687</u>	<u>864,723</u>
Expenses		
Amortization	232,171	231,025
Bad debt	586	2,250
Building maintenance	50,176	40,439
Cable	15,491	17,637
Electricity	42,424	40,047
Fundraising expenditures	2,966	4,275
Grounds maintenance	4,922	11,941
Heating fuel	22,525	25,486
Insurance	22,510	27,202
Interest on mortgage payable	78,854	79,543
Janitorial	5,353	4,300
Office and administrative	25,005	22,407
Professional fees	57,433	70,533
Security	31,180	8,080
Wages and benefits	189,328	178,428
Waste removal	11,138	9,781
Water and sewer	30,049	29,423
	<u>822,111</u>	<u>802,797</u>
Excess of revenue over expenses	<u>\$ 67,576</u>	<u>\$ 61,926</u>

See notes to financial statements

FORWARD HOUSING ASSOCIATION - AFFORDABLE HOUSING

Statement of Changes in Net Assets

Year Ended December 31,

	Unrestricted	Invested in capital assets	Reserve fund	2020 Balance
Net assets , beginning of year	\$ 771,781	\$ 77,955	\$ 175,496	\$ 1,025,232
Excess of revenue over expenses	155,147	(87,571)	-	67,576
Transfer	(52,182)	20,348	31,834	-
Net assets , end of year	\$ 874,746	\$ 10,732	\$ 207,330	\$ 1,092,808
	Unrestricted	Invested in capital assets	Reserve fund	2019 Balance
Net assets , beginning of year	\$ 539,354	\$ 277,520	\$ 146,432	\$ 963,306
Excess of revenue over expenses	148,351	(86,425)	-	61,926
Transfer	84,076	(113,140)	29,064	-
Net assets , end of year	\$ 771,781	\$ 77,955	\$ 175,496	\$ 1,025,232

See notes to financial statements

FORWARD HOUSING ASSOCIATION - AFFORDABLE HOUSING

Statement of Cash Flow Year Ended December 31,

	2020	2019
Cash flow from operating activities		
Excess of revenue over expenses	\$ 67,576	\$ 61,926
Items not affecting cash:		
Amortization	232,171	231,025
Amortization of deferred capital contributions	(144,600)	(144,600)
	155,147	148,351
Changes in non-cash working capital (Note 13)	199,598	804,359
	354,745	952,710
Cash flow from investing activities		
Purchase of capital assets	-	(22,913)
Increase in property under development	(12,433,530)	(4,860,957)
Redemption (purchase) of short-term investments	3,737,332	(2,887,332)
Increase in deferred capital contributions Bishop's Manor	1,538,443	7,059,768
	(7,157,755)	(711,434)
Cash flow from financing activities		
Decrease in reserve fund	(31,834)	(29,064)
Repayment of long-term mortgage payable	(20,348)	(39,683)
Proceeds from long-term mortgage	8,409,957	-
Proceeds from (repayments to) related parties	91,175	(98,887)
	8,448,950	(167,634)
Increase in cash during the year	1,645,940	73,642
Cash, beginning of year	1,654,671	1,581,029
Cash, end of year	\$ 3,300,611	\$ 1,654,671

See notes to financial statements

FORWARD HOUSING ASSOCIATION - AFFORDABLE HOUSING

Notes to Financial Statements

December 31, 2020

Nature of operations

Forward Housing Association ("Association") (formerly Bishop O'Byrne Housing Association prior to July 27, 2020) is a non-profit organization that provides subsidized and affordable housing to low-income Calgarians. The Association operates separate divisions being "Affordable Housing" and "Housing Management Body (HMB)". These financial statements reflect the assets, liabilities, revenues and expenses of Affordable Housing. This division owns and manages affordable housing for low-income households in Calgary. The organization is incorporated under Section 9 of the Companies Act. It is a registered charity and qualifies as a non-profit organization as defined in the Income Tax Act (Canada) and, as such, is exempt from income tax.

1. Summary of significant accounting policies

These financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO).

Revenue recognition

Forward Housing Association - Affordable Housing follows the deferral method of accounting for contributions.

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. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Revenue from rental property and resident services are recognized when a tenant commences occupancy of a property and rent is due. All residential leases are for terms of one year or less, consequently the Association accounts for leases with its tenants as operating leases.

Contributed services

The operations of the Association depend on the contribution of time by volunteers. The fair values of donated services cannot be reasonably determined and are therefore not reflected in these financial statements.

Cash

Cash is defined as cash on hand and cash on deposit net of cheques issued and outstanding at year end.

Reserve funds

Reserve funds comprise of funds restricted for capital repairs and replacements as required by the mortgage lender.

Short-term investment

Short-term investments are comprised of guaranteed investment certificates ("GIC") with maturities greater than ninety days and less than 365 days from the date of acquisition. Income earned on investments is recognized on the accrual basis and recorded in interest income. All transaction costs are expensed in the period incurred.

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FORWARD HOUSING ASSOCIATION - AFFORDABLE HOUSING

Notes to Financial Statements

December 31, 2020

1. Summary of significant accounting policies (continued)

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Buildings	2.5%	straight-line method
Equipment	10%	straight-line method
Furniture and fixtures	10%	straight-line method

Net assets

- a) Net assets invested in capital assets represents the organization's net investment in capital assets which is comprised of the unamortized amount of capital assets.
- b) Reserve funds are internally restricted net assets created pursuant to mortgage requirements for capital repairs and replacements by contributing 4% of the effective gross monthly rental income to be paid monthly into an escrow account less any approved capital expenditures.
- c) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the organization each year, net of transfers, and are available for general purposes.

Measurement uncertainty

The preparation of financial statements in conformity with organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

GST

Goods and services tax is recoverable at 100% and set up as receivable at the time of expenditure.

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FORWARD HOUSING ASSOCIATION - AFFORDABLE HOUSING

Notes to Financial Statements

December 31, 2020

1. Summary of significant accounting policies (continued)

Financial instruments

The Association has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, liquidity risk and market risk. Price risk arises from changes to interest rates, foreign currency exchange rates and market prices.

The Association's financial instruments that are included in the statement of financial position are composed of cash, accounts receivable, short-term investments, tenant social funds, tenant security deposits, reserve fund, accounts payable and accrued liabilities, construction holdback payable, tenant social funds payable, security deposits payable, due to Forward Housing Association - Management Body and mortgage payable. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant liquidity and interest rate risk from these financial instruments. The fair market value of these financial instruments approximate their carrying values, unless otherwise noted.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from its members. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of members which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association's approach to liquidity is to plan that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risk harm to the Association's reputation.

Market risk

- a) Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. The Association is exposed to interest rate risk primarily through its investments.
- b) Equity price risk is the risk of price changes of securities held in the open market. The Association does not currently have exposure to equity price risk.
- c) Commodity price risk is the risk of changes in prices of materials purchased for wholesale distribution. The Association is not currently exposed to commodity price risk.
- d) Currency risk is the risk that variations in exchange rates between the Canadian dollar and a foreign currency will affect the Association's operating financial results. The Association is not currently exposed to currency risk.

FORWARD HOUSING ASSOCIATION - AFFORDABLE HOUSING

Notes to Financial Statements

December 31, 2020

2. Reserve funds

	2020	2019
Opening balance	\$ 175,496	\$ 146,432
Contributions during the year	31,834	29,064
	\$ 207,330	\$ 175,496

A portion of reserve funds is invested in GICs earning an interest rate of 0.35% per annum,

3. Short-term investment

Short-term investment is comprised of \$150,000 GIC investment earning an interest rate of 0.4%.

4. Capital assets

	Cost	Accumulated amortization	2020 Net book value
Buildings	\$ 8,562,222	\$ 1,711,772	\$ 6,850,450
Equipment	20,773	16,610	4,163
Furniture and fixtures	160,377	113,269	47,108
	\$ 8,743,372	\$ 1,841,651	\$ 6,901,721

	Cost	Accumulated amortization	2019 Net book value
Buildings	\$ 8,562,222	\$ 1,497,716	\$ 7,064,506
Equipment	20,773	14,533	6,240
Furniture and fixtures	160,377	97,231	63,146
	\$ 8,743,372	\$ 1,609,480	\$ 7,133,892

5. Property under development

Property under development is comprised of direct costs related to the construction of the Bishop's Manor building. These costs are capitalized and will be amortized once the construction is complete and the building is available for use.

6. Related party transactions

Forward Housing Association operates separate divisions being Affordable Housing (Columbus Place and Bishop's Manor) and the Management Body. The divisions transact with each other under normal business terms and use the exchange amount as the basis for measurement. Transactions include recoveries of costs between divisions. A total of \$186,850 (2019 - \$168,423) was paid to the Management Body for human resource expenditures. At December 31, 2020, \$38,855 (2019 - \$52,320 receivable) is due to the Management Body. The amount is not secured, is due on demand and is non-interest bearing.

FORWARD HOUSING ASSOCIATION - AFFORDABLE HOUSING

Notes to Financial Statements

December 31, 2020

7. Deferred revenue

Deferred revenue represents grants and donations externally restricted for the rent subsidy program at Columbus Place.

	2020	2019
Deferred revenue, beginning of year	\$ 175,257	\$ 33,632
Funds received	151,966	165,050
Funds expensed	(22,135)	(23,425)
	<u>\$ 305,088</u>	<u>\$ 175,257</u>

8. Deferred capital contributions - Columbus Place

Deferred capital contributions represent externally restricted contributions received for the purchase or construction of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations in accordance with the useful lives of corresponding assets capitalized in the statement of financial position.

	2020	2019
Deferred capital contributions, beginning of year	\$ 4,570,378	\$ 4,714,978
Grant revenue	(144,600)	(144,600)
	<u>\$ 4,425,778</u>	<u>\$ 4,570,378</u>

A balance of \$144,600 representing next year's amortization has been disclosed in current liabilities.

9. Deferred capital contributions - Bishop's Manor

Deferred capital contributions - Bishop's Manor are externally restricted contributions for the construction of a new building. Amortization of deferred capital contributions - Bishop's Manor will commence once the building is complete and operational.

FORWARD HOUSING ASSOCIATION - AFFORDABLE HOUSING

Notes to Financial Statements

December 31, 2020

10. Mortgage payable

	2020	2019
<p>Mortgage payable - Columbus Place bears interest at 3.21% per annum and is repayable in monthly payments of \$9,973.65, blended principal and interest, secured by the land and buildings. The mortgage was renewed on January 1, 2019 for a period of 60 months.</p>	\$ 2,465,211	\$ 2,485,559
<p>Mortgage payable - Bishop's Manor pre-approved for a \$16 million loan and bears interest at 0.62% per annum, loan term of 10 years and is repayable in monthly payments. \$8.4 million of the loan amount has been drawn to date. Interest only payments will be required until determined by lender.</p>	8,444,637	-
	10,909,848	2,485,559
Less unamortized finance fees	(34,679)	-
	10,875,169	2,485,559
Less current portion	(41,680)	(40,513)
	\$ 10,833,489	\$ 2,445,046

Finance fees are amortized over the loan term of 10 years with amortization commencing with loan repayment date.

Principal repayment terms are approximately:

2021	\$ 41,680
2022	244,401
2023	247,045
2024	249,742
2025	252,493
Thereafter	9,839,808
	\$ 10,875,169

11. Commitments

- a) The Association has entered into contracts to purchase natural gas at \$3.21 per gigajoule for a two year term and three year extension to December 31, 2025 at \$1.98 per gigajoule.
- b) The Association has entered into contracts to purchase electricity at an indexed rate per kilowatt hour for a four year term ending December 31, 2025.

12. Subsequent event

Since the beginning of the 2020 year, the world has been negatively impacted by the novel Coronavirus or COVID-19 pandemic which has resulted in economic uncertainty. The implications of this virus are far reaching. It is impacting the daily operations and economics of institutions and businesses. The measures taken across the globe to try to slow the spread of COVID-19 are impacting both goods and services. Although fiscal and monetary policy measures are also being implemented to prop up the economy, this uncertainty may have implications on financial reporting.

The Association has been able to conduct business with added safety measures in place.

FORWARD HOUSING ASSOCIATION - AFFORDABLE HOUSING

Notes to Financial Statements

December 31, 2020

13. Changes in non-cash working capital

	2020	2019
Accounts receivable	\$ (649,493)	\$ (185,062)
Accounts payable and accrued liabilities	259,456	635,073
Deferred revenue	129,831	141,625
Prepays	(11,459)	4,051
Construction holdback payable	471,263	208,672
	<u>\$ 199,598</u>	<u>\$ 804,359</u>

14. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.
