

HomeSpace Society

Financial Statements

March 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of HomeSpace Society

Opinion

We have audited the financial statements of HomeSpace Society (the "Society"), which comprise the statement of financial position as at March 31, 2023 and the statements of operations, changes in fund balances 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 Society as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Society 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society 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.

RSM Canada LLP

Chartered Professional Accountants
May 31, 2023
Calgary, Alberta

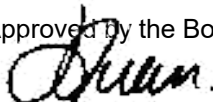
HomeSpace Society
Statement of Financial Position
March 31, 2023

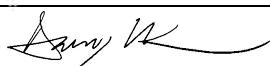
	Operating	Capital	Total	
			2023	2022
Assets				
Current assets				
Cash	\$ 2,941,935	\$ 1,222,792	\$ 4,164,727	\$ 3,371,802
Accounts receivable	277,990	281,195	559,185	9,744,648
Prepaid expenses	<u>290,093</u>	<u>160,556</u>	<u>450,649</u>	<u>280,567</u>
	3,510,018	1,664,543	5,174,561	13,397,017
Property held for affordable housing (note 4)	-	159,976,003	159,976,003	140,076,478
Equipment (note 5)	<u>31,836</u>	<u>45,283</u>	<u>77,119</u>	<u>45,708</u>
	<u>\$ 3,541,854</u>	<u>\$ 161,685,829</u>	<u>\$ 165,227,683</u>	<u>\$ 153,519,203</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 763,564	\$ 1,829,349	\$ 2,592,913	\$ 5,207,195
Deferred contributions	147,842	-	147,842	155,898
Current portion of financing payable (note 6)	-	259,711	259,711	269,851
Demand loan (note 6)	-	2,100,000	2,100,000	2,100,000
Tenant deposits	<u>363,863</u>	<u>-</u>	<u>363,863</u>	<u>353,773</u>
	1,275,269	4,189,060	5,464,329	8,086,717
Financing payable (note 6)	-	17,049,716	17,049,716	13,462,148
Loans payable (note 7)	-	7,128,865	7,128,865	5,966,177
Canada Emergency Business Account (CEBA) loan	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
	<u>1,275,269</u>	<u>28,367,641</u>	<u>29,642,910</u>	<u>27,555,042</u>
Fund Balances				
Internally restricted - net investment in equipment	31,836	45,283	77,119	45,708
Internally restricted - net investment in property held for affordable housing	-	133,272,905	133,272,905	123,478,705
Internally restricted - capital reserve fund for building maintenance	1,311,459	-	1,311,459	1,582,619
Unrestricted net assets	<u>923,290</u>	<u>-</u>	<u>923,290</u>	<u>857,129</u>
	<u>2,266,585</u>	<u>133,318,188</u>	<u>135,584,773</u>	<u>125,964,161</u>
	<u>\$ 3,541,854</u>	<u>\$ 161,685,829</u>	<u>\$ 165,227,683</u>	<u>\$ 153,519,203</u>

Commitments and contingencies (note 11)

The accompanying notes are an integral part of these financial statements.

Approved by the Board,

 _____, Director

 _____, Director

HomeSpace Society
Statement of Operations
Year Ended March 31, 2023

			<u>Total</u>	
	Operating	Capital	2023	2022
Revenue				
Donations and grants (note 7)	\$ 542,188	\$ 11,675,633	\$ 12,217,821	\$ 20,967,323
Rental revenue	6,773,978	-	6,773,978	6,052,211
Interest and investment income	107,124	52,252	159,376	39,712
Miscellaneous income	<u>58,870</u>	<u>-</u>	<u>58,870</u>	<u>45,598</u>
	<u>7,482,160</u>	<u>11,727,885</u>	<u>19,210,045</u>	<u>27,104,844</u>
Operating expenses				
Real property costs	4,434,910	12,700	4,447,610	4,360,490
Interest (note 6)	-	237,542	237,542	192,528
Special events	<u>25,677</u>	<u>294</u>	<u>25,971</u>	<u>28,963</u>
	<u>4,460,587</u>	<u>250,536</u>	<u>4,711,123</u>	<u>4,581,981</u>
Administrative expenses				
Salaries	1,400,829	-	1,400,829	1,285,629
Office	488,471	-	488,471	366,295
Amortization	<u>17,118</u>	<u>2,971,892</u>	<u>2,989,010</u>	<u>2,495,252</u>
	<u>1,906,418</u>	<u>2,971,892</u>	<u>4,878,310</u>	<u>4,147,176</u>
Total expenses	<u>6,367,005</u>	<u>3,222,428</u>	<u>9,589,433</u>	<u>8,729,157</u>
Excess of revenue over expenses	<u>\$ 1,115,155</u>	<u>\$ 8,505,457</u>	<u>\$ 9,620,612</u>	<u>\$ 18,375,687</u>

The accompanying notes are an integral part of these financial statements.

HomeSpace Society
Statement of Changes in Fund Balances
Year Ended March 31, 2023

	Internally restricted - net investment in equipment	Internally restricted - net investment in property held for affordable housing	Internally restricted - capital reserve fund for building maintenance	Unrestricted net assets	Total
Fund balances, March 31, 2021	\$ 11,689	\$ 103,579,732	\$ 2,065,429	\$ 1,931,624	\$ 107,588,474
Excess (deficiency) of revenue over expenses	(12,864)	17,448,193	362,656	577,702	18,375,687
Purchased asset additions	46,883	-	-	(46,883)	-
Real property capital maintenance	-	845,466	(845,466)	-	-
Fund transfers	-	<u>1,605,314</u>	<u>-</u>	<u>(1,605,314)</u>	<u>-</u>
Fund balances, March 31, 2022	45,708	123,478,705	1,582,619	857,129	125,964,161
Excess (deficiency) of revenue over expenses	(26,274)	8,514,613	318,550	813,723	9,620,612
Purchased asset additions	57,685	-	-	(57,685)	-
Real property capital maintenance	-	589,710	(589,710)	-	-
Fund transfers	-	<u>689,877</u>	<u>-</u>	<u>(689,877)</u>	<u>-</u>
Fund balances March 31, 2023	<u><u>\$ 77,119</u></u>	<u><u>\$ 133,272,905</u></u>	<u><u>\$ 1,311,459</u></u>	<u><u>\$ 923,290</u></u>	<u><u>\$ 135,584,773</u></u>

The accompanying notes are an integral part of these financial statements.

HomeSpace Society
Statement of Cash Flows
Year Ended March 31, 2023

	2023	2022
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenses	\$ 9,620,612	\$ 18,375,687
Add (deduct) items not affecting cash		
Amortization	2,989,010	2,495,252
Forgiveness of loans payable (note 7)	<u>(300,375)</u>	<u>(223,399)</u>
	<u>12,309,247</u>	<u>20,647,540</u>
Changes in non-cash working capital		
Accounts receivable	9,185,463	(8,713,355)
Prepaid expenses	(170,082)	(25,813)
Accounts payable and accrued liabilities	110,213	(365,903)
Deferred contributions	(8,056)	(39,847)
Tenant deposits	<u>10,090</u>	<u>42,862</u>
	<u>9,127,628</u>	<u>(9,102,056)</u>
	<u>21,436,875</u>	<u>11,545,484</u>
Financing activities		
Repayments of financing	(347,155)	(177,479)
Proceeds from financing	3,924,583	3,246,536
Proceeds from loans payable	1,463,063	-
Proceeds from demand loan	-	2,100,000
Repayment of CEBA loan	<u>(40,000)</u>	<u>-</u>
	<u>5,000,491</u>	<u>5,169,057</u>
Investing activities		
Expenditures on equipment	(57,685)	(46,883)
Expenditures on property held for affordable housing	(22,862,261)	(24,546,894)
Changes in accounts payable and accrued liabilities related to property held for affordable housing	<u>(2,724,495)</u>	<u>2,325,776</u>
	<u>(25,644,441)</u>	<u>(22,268,001)</u>
Cash inflow (outflow)	792,925	(5,553,460)
Cash, beginning of year	<u>3,371,802</u>	<u>8,925,262</u>
Cash, end of year	<u>\$ 4,164,727</u>	<u>\$ 3,371,802</u>

The accompanying notes are an integral part of these financial statements.

HomeSpace Society

Notes to Financial Statements

March 31, 2023

1. Nature of operations

HomeSpace Society (the "Society") was incorporated under the *Alberta Societies Act* on June 19, 2003. The Society is a not-for-profit organization and a registered charity and is exempt from income taxes under the *Income Tax Act*. The Society's mission is to creatively apply expertise to increase and manage the number of affordable and specialized housing units in Calgary.

The Charitable Fundraising Regulation of Alberta applies to the Society and the Society has considered all required disclosures under Section 7(2) of the Act in preparing these financial statements.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

(a) Fund accounting

The Society follows the restricted fund method for accounting for contributions, as this is the preferred method for the users of the Society's financial statements.

The Operating Fund comprises of the amounts internally restricted as an investment in equipment, the capital reserve fund for building maintenance and the unrestricted net assets, is an unrestricted fund that contains the assets, liabilities, revenue and expenses related to the Society's operating activities, the operation of affordable housing and special events.

The Capital Fund comprises of the amounts internally restricted as an investment in property held for affordable housing, is a restricted fund that contains the assets, liabilities, revenue and expenses related to the Society's acquisition and development of real estate property for affordable housing.

(b) Revenue recognition

Restricted contributions related to a restricted fund are recognized as revenue of the appropriate restricted fund when received or when future receipt of cash is guaranteed by a funding agreement. Restricted contributions to the Operating Fund are deferred and amortized to revenue when the related expenses are incurred. Unrestricted contributions in the Operating Fund and contributions in the Capital Fund are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue in the Operating fund.

HomeSpace Society
Notes to Financial Statements
March 31, 2023

Rental revenue (which includes subsidies) related to the provision of affordable housing is recognized when a tenant commences occupancy of a rental suite and rent is due, or when rent is subsidized by a particular agency as per the agreement terms.

(c) Property held for affordable housing

The Society acquires and constructs real estate properties that are to be used as affordable housing in current and future years. These properties are held as ongoing investments in affordable housing and are stated at cost less accumulated amortization. Cost includes all expenses incurred in connection with the acquisition of real estate property including all direct costs. Major capital improvements and replacements are capitalized and amortized over the term appropriate to the expense.

The purchase price of assets held for affordable housing is allocated to land and building. Contributed land is recorded at fair value at the date of contribution.

Buildings included in assets held for affordable housing are amortized over the estimated life of 40 years on a straight-line basis. The assets are amortized once complete and occupied at one-half the normal rate in the first year.

When conditions indicate an asset held for affordable housing is impaired, the carrying value of the asset is written down to the fair value or replacement cost. The write down of the assets is recorded as an expense in the statement of operations. A write-down is not reversed.

(d) Amortization

Purchased equipment is recorded at cost and amortized over the estimated useful life on a straight-line basis as follows:

Computer equipment	2 years
Office furnishings	4 years

In the year of acquisition, the assets are amortized at one-half of the normal rate.

When conditions indicate purchased equipment is impaired, the carrying value of the asset is written down to the fair value or replacement cost. The write down of the assets is recorded as an expense in the statement of operations. A write-down is not reversed.

HomeSpace Society
Notes to Financial Statements
March 31, 2023

(e) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The valuation of purchased and contributed property held for affordable housing is based on management's best estimates of the future recoverability of these assets and the determination of costs subject to classification as property held for affordable housing. The amounts recorded for amortization of the property held for affordable housing are based on management's best estimates of the remaining useful lives and period of future benefit of the related assets.

Amounts accrued as receivable pursuant to various funding contracts associated with Society's programs are based on management's best estimates of the amounts to be received for the periods in question upon the actual finalization of the associated claims and/or contract processes.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(f) Financial instruments

The Society initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measured at the exchange amount.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities, demand loan, tenant deposits, mortgages payable and loans payable.

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in excess of revenue over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in excess of revenue over expenses.

HomeSpace Society

Notes to Financial Statements

March 31, 2023

The Society recognizes its transaction costs in excess of revenue over expenses in the period incurred for its equity investments and all other financial assets and liabilities subsequently measured at fair value. Financial instruments, that are subsequently measured at cost or amortized cost, are adjusted by the transaction costs and financing fees that are directly attributable to their origination, issuance or assumption. Long-term debt is also reduced by financing fees and any debt premiums or discounts. The Society uses the effective interest method to amortize these adjustments to long-term debt.

(g) Contributed goods and services

Donations of materials and services are recognized when the fair value can be reasonably estimated and the materials and services are used in the normal course of operations. Donations of legal services related to the acquisition of real estate provided on a pro-bono basis are not recorded as the amounts cannot be reasonably estimated.

3. Affordable housing net assets

On September 30, 2016, the Society received property held for affordable housing and the associated cash, receivables, payables, mortgages, loans, deposits, tenant and grant agreements from the Calgary Homeless Foundation (the "Foundation") a separately registered charity with its own Board of Directors, management and office. The Society focuses on housing solutions for ending homelessness, while the Foundation continues its leadership role within the city of Calgary to guide the fight against homelessness and serve as the system planner for Calgary's homeless-serving system of care. The Foundation remains one of the nine participating agencies in the Calgary Collaborative Capital Campaign for Affordable Housing (the "Campaign") to fundraise capital for affordable housing. On September 30, 2016, the Foundation and the Society entered into agreements assigning the funds raised for the Foundation through the Campaign to the Society (the "benefits"). The agreements specify that the Society is the registered owner and trustee of the properties for which the Campaign is fundraising (the "Campaign assets"). In return for transferring the benefits and the Campaign assets, the Foundation is the beneficial owner of the Campaign assets with a net book value of \$103.0 million (2022 - \$98.0 million). The beneficial ownership of the Campaign assets will not transfer to the Society until the last pledge is received and the obligations of the Campaign and the associated gift agreements have expired or terminated.

As a result of the Foundation's beneficial ownership of the Campaign assets:

- (a) The Foundation guarantees the Society's six mortgages on the Campaign assets totaling \$2,822,558 (note 6), with maturity dates ranging from December 1, 2027 to December 1, 2028, a current portion of \$157,621, interest rates ranging from 4.18% to 4.28% per annum, secured by assets with a net book value of \$14,451,741.
- (b) The Foundation guarantees the Society's \$5 million evergreen line of credit facility to finance land purchases (note 6), of which \$NIL has been drawn as of March 31, 2023.

HomeSpace Society
Notes to Financial Statements
March 31, 2023

4. Property held for affordable housing

	Cost	Accumulated Amortization	Net Book Value	
			2023	2022
Land	\$ 34,029,508	\$ -	\$ 34,029,508	\$ 29,293,208
Buildings under construction	10,405,952	-	10,405,952	21,847,143
Buildings used for affordable housing	<u>133,228,778</u>	<u>17,688,235</u>	<u>115,540,543</u>	<u>88,936,127</u>
	<u>\$ 177,664,238</u>	<u>\$ 17,688,235</u>	<u>\$ 159,976,003</u>	<u>\$ 140,076,478</u>

During the year, the Society paid \$111,746 (2022 - \$22,694) of interest on debt utilized for the development of affordable housing, which was capitalized to buildings under construction and buildings used for affordable housing.

5. Equipment

	Cost	Accumulated Amortization	Net Book Value	
			2023	2022
Computer equipment	\$ 72,260	\$ 44,514	\$ 27,746	\$ 10,042
Office furnishings	12,505	8,415	4,090	5,517
Office furnishings - capital fund	<u>57,789</u>	<u>12,506</u>	<u>45,283</u>	<u>30,149</u>
	<u>\$ 142,554</u>	<u>\$ 65,435</u>	<u>\$ 77,119</u>	<u>\$ 45,708</u>

HomeSpace Society
Notes to Financial Statements
March 31, 2023

6. Financing payable

	2023	2022
Mortgage payable for the Bowness (Longbow) property bearing interest at a rate of 4.28% per annum, payable in monthly principal and interest instalments totalling \$4,674, maturing in June 2028, secured by the Bowness property having a carrying value of \$2,702,878 and guaranteed by the Foundation (note 3).	\$ 559,676	\$ 594,412
Mortgage payable for the Capitol Hill (Francis) property bearing interest at a rate of 4.20% per annum, payable in monthly principal and interest instalments totalling \$4,615, maturing in December 2028, secured by the Capitol Hill property having a carrying value of \$2,851,822 and guaranteed by the Foundation (note 3).	593,940	630,118
Mortgage payable for the Bankview property bearing interest at a rate of 4.18% per annum, payable in monthly principal and interest instalments totalling \$4,439, maturing in December 2027, secured by the Bankview property having a carrying value of \$3,450,085 and guaranteed by the Foundation (note 3).	552,580	748,860
Mortgage payable for the Crescent Heights property bearing interest at a rate of 4.18% per annum, payable in monthly principal and interest instalments totalling \$2,410, maturing in December 2027, secured by the Crescent Heights property having a carrying value of \$1,431,552 and guaranteed by the Foundation (note 3).	297,263	314,031
Mortgage payable for the Lower Mount Royal (Croydon) property bearing interest at a rate of 4.28% per annum, payable in monthly principal and interest instalments totalling \$2,808, maturing in June 2028, secured by the Lower Mount Royal property having a carrying value of \$1,942,890 and guaranteed by the Foundation (note 3).	353,670	373,880

HomeSpace Society
Notes to Financial Statements
March 31, 2023

	2023	2022
Mortgage payable for the Thorncliffe property bearing interest at a rate of 4.18% per annum, payable in monthly principal and interest instalments totalling \$3,739, maturing in December 2027, secured by the Thorncliffe property having a carrying value of \$2,072,514 and guaranteed by the Foundation (note 3).	465,429	491,274
Repayable loan facility in the amount up to \$4,770,000, by way of one or more advances, for the Downtown (Legacy on 5th) property bearing interest at a rate of 0.78% per annum, payable in monthly principal and interest instalments totalling \$11,569, maturing in January 2063, secured by the Downtown property having a carrying value of \$22,976,791.	4,752,862	4,770,000
Repayable loan facility in an amount up to \$6,797,612, by way of one or more advances, for the Beltline 2 property, bearing interest at a rate of 1.37% per annum, payable in monthly interest only instalments until the date of stabilization and secured by the Beltline 2 property having a carrying value of \$8,692,459.	5,809,424	5,809,424
Repayable loan facility in an amount up to \$8,159,965, by way of one or more advances, for the Seton property, bearing interest at a rate of 2.91% per annum, payable in monthly interest only instalments until the date of stabilization and secured by the Seton property having a carrying value of \$11,890,657.	2,624,583	-
Repayable loan for the Hopewell land purchase, bearing interest at 5.00% per annum, payable in quarterly interest only instalments until maturity on August 1, 2024, when it is due in full, secured by first priority to the land having a carrying value of \$1,977,532.	<u>1,300,000</u>	<u>-</u>
	17,309,427	13,731,999
Less: Portion due within one year	<u>259,711</u>	<u>269,851</u>
	<u>\$ 17,049,716</u>	<u>\$ 13,462,148</u>

HomeSpace Society
Notes to Financial Statements
March 31, 2023

The estimated principal payments related to the financing payable are due as follows:

2024	\$ 259,711
2025	1,565,841
2026	273,563
2027	281,675
2028	1,207,698
Subsequent to 2028	<u>5,286,932</u>
	8,875,420
Balance with unspecified repayment terms due to not yet reaching stabilization	<u>8,434,007</u>
	<u>\$ 17,309,427</u>

Total interest paid on mortgages payable during the year was \$237,542 (2022 - \$192,528). Mortgages payable require maintenance of certain covenants. During the year, the Society was in compliance of these covenants.

The Seton repayable loan facility has not yet been fully advanced as of March 31, 2023. The Downtown repayable loan facility has reached stabilization as of March 31, 2023. The Beltline and Seton repayable loan facilities have not reached stabilization as of March 31, 2023. The stabilization date means the time at which the project has achieved twelve consecutive months of annualized residential effective gross income as defined in the agreement. Commencing from the stabilization date, the principal balance outstanding will be amortized according to an amortization schedule to be agreed upon at such time, resulting in monthly blended principal and interest payments until the end of the 10-year term. The loan facilities include forgivable loan facilities (note 7). The loan facilities require a replacement reserve fund to be maintained at 4% of the effective gross income of all income generated by the project. The Replacement Reserve Fund has been properly funded and maintained and all earnings accruing to the Fund has been recorded as part of the capital reserve fund for building maintenance. The Society is in compliance with the requirements of the agreement. The loan facilities are secured by a first priority mortgage equal to 120% of the loans on the land and building noted above as well as a general security agreement, an operating agreement and a first priority general assignment of insurance, contracts, rents and leases.

The Society has available a line of credit in the amount of \$5 million with a major Canadian financial institution to finance land purchases for various properties in Calgary. The line of credit bears interest at the lender's internal cost of funds rate per annum, which would be determined at the time funds are drawn and is secured by a general security agreement and certain lands having a carrying value of \$3,187,273. At March 31, 2023, \$NIL (2022 - \$NIL) had been drawn on the line of credit.

HomeSpace Society
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The Society has a non-revolving demand term loan with an outstanding balance of \$2.1 million (2022 - \$2.1 million) to finance the Sierra Place conversion project costs. The loan bears interest at prime plus 0.75% per annum, effectively 7.45% at March 31, 2023, is repayable on demand and is secured by a general security agreement and first priority mortgage of \$3,000,000 on the land and building located at the Hillhurst property. The loan requires maintenance of certain covenants. During the year, the Society was in compliance of these covenants.

7. Loans payable

	2022	2021
The Sunalta loan (2020) is an unsecured, non-interest bearing loan granted for the purpose of developing affordable housing which was expended on the Sunalta Lodging House. This loan is forgivable in 20 years on its maturity date of November 1, 2040.	\$ 295,000	\$ 295,000
The Downtown loan is an non-interest bearing loan granted for the purpose of developing affordable housing which was expended on the Downtown property. This loan is forgivable over 20 years maturing August 1, 2041. See note 6 for security held.	4,583,333	4,833,333
The Beltline 2 loan is an non-interest bearing loan granted for the purpose of affordable housing which was expended on the Beltline 2 property. The loan is forgivable over 20 years maturing November 1, 2041. See note 6 for security held.	787,469	829,844
The Seton loan is an non-interest bearing loan granted for the purpose of affordable housing which was expended on the Seton property. The loan is forgivable over 20 years maturing April 1, 2042. See note 6 for security held.	1,463,063	-
The Kootenay Lodge loan; forgiven in full during the year.	<u>-</u>	<u>8,000</u>
	<u>\$ 7,128,865</u>	<u>\$ 5,966,177</u>

The non-interest bearing forgivable loans are to be repaid out of the project's capital financing if they are not forgiven. The loans are forgivable as long as the underlying terms as disclosed in note 6 are met and the loans are not in default. The total amount forgiven in the year of \$300,375 (2022 - \$223,399) is included in donations and grants revenue.

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8. Bridgeland-Ophelia Supportive Housing Program

During the year, the Society received \$254,510 (2022 - \$252,160) of funding from the Calgary Homeless Foundation related to the Bridgeland-Ophelia Supportive Housing Program. The income and expenses incurred related to this program are summarized below. The excess funding is included in deferred contributions.

	Budget <i>(unaudited)</i>	Actual	Variance <i>(unaudited)</i>
Program revenue			
Grant funding	\$ <u>254,510</u>	\$ <u>254,510</u>	\$ <u>-</u>
Program expenses			
Staff costs	72,739	74,237	(1,498)
Client costs	156,320	103,743	52,577
Administration costs	<u>25,451</u>	<u>25,451</u>	<u>-</u>
	<u>254,510</u>	<u>203,431</u>	<u>51,079</u>
	<u>\$ -</u>	<u>\$ 51,079</u>	<u>\$ (51,079)</u>

9. Financial instruments

The Society is exposed to the following significant financial risks:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society does not have a concentration of credit exposure with any one party.

The Society is exposed to credit risk relating to cash. The risk is mitigated as cash is deposited with major Canadian financial institutions.

The Society is exposed to credit risk relating to accounts receivable, which is influenced by the individual characteristics of each customer. The majority of the accounts receivable are from donors and government agencies. The Society limits its exposure to credit risks by dealing with only credit worthy organizations. Management does not expect any debtors to fail in meeting their obligations.

(b) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society manages its liquidity risk through cash and debt management.

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(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk to the extent of any upward revision in prime lending rates and to the extent that interest rates are fixed upon maturity. The Society attempts to mitigate this risk by limiting the debt assumed and entering into medium-term mortgages.

10. Statutory disclosures

As required under Section 7(2) of the Charitable Fundraising Regulation of Alberta, the Society is required to disclose amounts paid as remuneration to employees whose principal duties involve fundraising and direct costs incurred for the purposes of soliciting contributions. No such fundraising activities took place during the year ended March 31, 2023.

11. Commitments and contingencies

As part of a \$4.1 million funding agreement effective November 1, 2011 with Persons with Developmental Disabilities Calgary Region Community Board ("PDD"), the Society is required to maintain ownership and control of each of the housing units referenced in the agreement for a period of 20 to 30 years. If the Society transfers ownership of these properties before this time PDD may require a repayment of a portion of the total proceeds that declines as the length of ownership increases. The maximum repayment that may be required at March 31, 2023 is \$2,217,600 (2022 - \$2,332,800).

The Society entered into a lease of office space on July 12, 2019 for 10 years commencing December 1, 2019. Future minimum annual lease payments excluding occupancy costs are as follows:

2024	\$	33,600
2025		37,672
2026		45,818
2027		45,818
2028		45,818
Subsequent to 2028		<u>76,362</u>
	\$	<u><u>285,088</u></u>

12. Related party transaction

During the year, the Society paid consulting fees related to the Sierra Place and Seton conversion that have been capitalized to buildings under construction of \$114,833 (2022 - \$188,291) to a Company that a Society board director is also a director of.

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This transaction is in the normal course of operations and is measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

13. Comparative figures

Certain comparative figures previously classified as changes in non-cash working capital have been reclassified to investing activities in the statement of cash flows based on the nature of the amounts and to conform to the current year's presentation.