

# **Horizon Housing Society**

Financial Statements

**March 31, 2020**



## *Independent auditor's report*

To the Directors of Horizon Housing Society

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### *Our qualified opinion*

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Horizon Housing Society (the Society) as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### **What we have audited**

The Society's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### *Basis for qualified opinion*

As discussed in note 3, the Society amortizes certain of its properties, which represented, as at March 31, 2020, \$4,495,431 (2019 – \$4,495,431) of the capital asset cost, at a rate equal to the annual principal reduction of the related mortgages as specified under agreements with Canada Mortgage and Housing Corporation (CMHC), the financier of the mortgages, and Alberta Seniors and Housing. This constitutes a departure from Canadian accounting standards for not-for-profit organizations (ASNPO).

In order to be compliant with ASNPO and to be consistent with the Society's policy on amortization of properties not financed by CMHC, properties would need to be amortized over their estimated useful life. Had the amortization of the properties financed by CMHC been calculated based on the useful life of the properties, amortization and excess (deficiency) of revenue over expenditures for the year ended March 31, 2020 should be decreased and increased respectively by \$39,873 (2019 – \$41,777), capital assets and fund balances as at March 31, 2020 should be decreased by \$873,637 (2019 – \$913,510) and the fund balances as at April 1, 2019 should be decreased by \$913,510 (2018 – \$955,287).

Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the effects of this matter.

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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Independence**

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *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.

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### *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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Calgary, Alberta  
June 24, 2020

# Horizon Housing Society

## Statement of Financial Position

As at March 31, 2020

	2020 \$	2019 \$
<b>Assets</b>		
<b>Current</b>		
Cash	10,211,852	11,440,053
Restricted cash (note 4)	747,156	522,945
Short-term investment	300,000	300,000
Subsidy and miscellaneous receivables	120,572	69,540
Prepaid expenses	96,066	312,207
Due from Horizon West (note 10)	83,803	101,556
	<hr/> 11,559,449	<hr/> 12,746,301
<b>Intangible asset</b> (note 7)	14,852	17,258
<b>Capital assets</b> (note 6)	<hr/> 67,945,354	<hr/> 62,284,772
	<hr/> <b>79,519,655</b>	<hr/> <b>75,048,331</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	1,205,415	706,612
Holdback payable	370,715	-
Unearned revenue	46,324	128,165
Security deposits payable	314,542	250,516
Long-term debt (note 8)	2,698,780	476,752
	<hr/> 4,635,776	<hr/> 1,562,045
<b>Long-term debt</b> (note 8)	17,401,926	19,953,291
<b>Deferred contributions</b> (note 9)	<hr/> 201,993	<hr/> 282,189
	<hr/> <b>22,239,695</b>	<hr/> <b>21,797,525</b>
<b>Fund balances</b>		
Unrestricted	2,636,995	2,046,401
Invested in capital assets (note 14(c))	47,786,578	41,788,125
Internally restricted (note 13)	3,840,865	2,293,475
Externally restricted (notes 14(a) and 14(b))	3,015,522	7,122,805
	<hr/> 57,279,960	<hr/> 53,250,806
	<hr/> <b>79,519,655</b>	<hr/> <b>75,048,331</b>
<b>Commitments</b> (note 18)		

### Approved by the Board of Directors

*Signed*  
Wade Paget

*Signed*  
Bryan Romanesky

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

# Horizon Housing Society

## Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2020

	General Fund \$	Capital Fund \$	Acquisition & Development Fund \$	2020 \$	2019 \$
<b>Revenue</b>					
Rental	4,219,639	-	-	4,219,639	3,019,739
Subsidy and government grants (note 15)	677,388	-	1,789,316	2,466,704	680,392
Grants, donations and fundraising	128,372	2,050,000	883,069	3,061,441	12,653,350
Casino revenue	67,704	-	-	67,704	-
Forgiveness of debt	6,804	8,532	-	15,336	23,436
Other	442,144	-	-	442,144	292,329
Interest	119,483	-	146,905	266,388	154,250
	5,661,534	2,058,532	2,819,290	10,539,356	16,823,496
Interest expense funded by CMHC	35,803	-	-	35,803	35,803
	5,697,337	2,058,532	2,819,290	10,575,159	16,859,299
<b>Expenditures</b>					
Amortization	2,407	2,283,460	-	2,285,867	974,337
Bad debts	29,918	-	-	29,918	22,731
Insurance	125,084	-	-	125,084	91,124
Interest on long-term debt	572,700	-	-	572,700	338,804
Office and administration	354,595	-	99,845	454,440	251,320
Property taxes	19,254	-	-	19,254	37,870
Repairs and replacements	785,077	-	-	785,077	1,008,208
Salaries and employee benefits	1,276,784	-	160,446	1,437,230	1,172,535
Utilities	814,711	-	-	814,711	712,465
Fundraising expenses	21,724	-	-	21,724	45,894
	4,002,254	2,283,460	260,291	6,546,005	4,655,288
<b>Excess (deficiency) of revenue over expenditures</b>	1,695,083	(224,928)	2,558,999	4,029,154	12,204,011
<b>Fund balances – Beginning of year</b>	3,713,693	41,788,125	7,748,988	53,250,806	41,046,795
<b>Interfund transfer – fixed asset additions</b>	-	5,894,043	(5,894,043)	-	-
<b>Interfund transfer – repayment of long-term debt</b>	(329,338)	329,338	-	-	-
<b>Interfund transfer – internally restricted transfer</b>	(600,000)	-	600,000	-	-
<b>Interfund transfer – externally restricted</b>	(25,000)	-	25,000	-	-
<b>Fund balances – End of year</b>	4,454,438	47,786,578	5,038,944	57,279,960	53,250,806

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

# Horizon Housing Society

## Statement of Cash Flows

For the year ended March 31, 2020

	2020 \$	2019 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures for the year (General Fund and Acquisition & Development Fund)	4,254,082	13,167,408
Items not affecting cash		
Amortization of mortgage fees	12,101	12,101
Amortization of deferred contributions (note 9)	(103,746)	(51,977)
Forgiveness of debt	(6,804)	(14,903)
	<u>4,155,633</u>	<u>13,112,629</u>
Changes in non-cash operating items		
Subsidy and miscellaneous receivables	(51,032)	126,602
Prepaid expenses	216,141	(43,554)
Due from Horizon West	17,753	6,911
Accounts payable and accrued liabilities	498,803	315,293
Accrued interest payable	-	(24,351)
Additions to deferred contributions (note 9)	23,550	10,000
Unearned revenue	(81,841)	10,314
Security deposits payable	64,026	68,502
Amortization of intangible assets	2,407	2,407
Capital repairs and maintenance	-	(354,805)
Capital contributions received in Acquisition & Development Fund	(2,672,385)	(12,182,983)
	<u>2,173,055</u>	<u>1,046,965</u>
<b>Financing activities</b>		
Proceeds from development loans and construction financing	-	7,759,626
Repayment of debt	(326,103)	(319,917)
Contributions restricted for capital assets	4,722,385	12,537,788
	<u>4,396,282</u>	<u>19,977,497</u>
<b>Investing activities</b>		
Purchase of investments	(300,000)	(300,000)
Redemption of matured investments	300,000	300,000
Purchase of capital assets <sup>1</sup>	(7,944,042)	(10,143,336)
Changes in accounts payable and accrued liabilities related to the construction of capital assets	-	(1,930,821)
Changes in holdback payable	370,715	(1,254,417)
(Additions to) decrease in restricted cash	(224,211)	538,454
	<u>(7,797,538)</u>	<u>(12,790,120)</u>
<b>(Decrease) increase in cash during the year</b>	<u>(1,228,201)</u>	<u>8,234,342</u>
<b>Cash – Beginning of year</b>	<u>11,440,053</u>	<u>3,205,711</u>
<b>Cash – End of year</b>	<u>10,211,852</u>	<u>11,440,053</u>
<b>Supplementary information</b>		
Interest paid	560,590	327,915
Interest received	266,388	152,893

<sup>1</sup>An additional \$5,803,865 (2019 – \$nil) of capital assets was purchased with restricted cash.

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

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2020

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### 1 Basis of operations

Horizon Housing Society (Horizon Housing) was incorporated under the Societies Act of Alberta. Horizon Housing was granted charitable status in April 1998, which exempts Horizon Housing from being subject to income taxes under Section 149 (1)(f) of the Income Tax Act of Canada. Horizon Housing acquires land and buildings for the purpose of providing affordable, integrated and supported homes. Horizon Housing serves tenants with a variety of vulnerabilities including people experiencing mental health challenges and other special needs.

### 2 Change in accounting policies

Effective April 1, 2019, Horizon Housing adopted the new standards of the Chartered Professional Accountants (CPA) Handbook, Part III – Accounting for Not-for-Profit Organizations (ASNPO), Section 4433 (Tangible Capital Assets Held by Not-for-Profit Organizations) and Section 4434 (Intangible assets held by Not-for-Profit Organization).

#### Tangible capital assets

The adoption of Section 4433 – Tangible Capital Assets Held by Not-for-Profit Organizations resulted in a change to Horizon Housing’s accounting policies with respect to componentization and amortization of tangible capital assets. The cost of tangible capital assets made up of significant separable component parts is now allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components.

In accordance with transitional provisions in Section 4433, the cost and related accumulated amortization of those tangible capital assets identified as having significant separable components were allocated to their component parts as of April 1, 2019, based on the proportional value of their original cost at the date the assets were acquired. Estimates of the useful lives of the components were made and applied on a prospective basis.

In accordance with Section 4433, Horizon Housing’s accounting policies with respect to “impairment of long-lived assets” has also been revised.

#### Intangible assets

The adoption of Section 4434 – Intangible assets held by Not-for-Profit Organizations resulted in a change to Horizon Housing’s accounting policies with respect to impairment of intangible assets. In accordance with Section 4434, Horizon Housing has recorded no impairment of intangible assets in the current fiscal year.

### 3 Significant accounting policies

The financial statements of Horizon Housing have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) except for the specific policies and practices as outlined by Canada Mortgage and Housing Corporation (CMHC) and Alberta Seniors and Housing (AS), which require that certain properties are amortized at a rate equal to the annual principal reduction of the related

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2020

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mortgages. In this respect, these financial statements are not, and are not intended to be, in accordance with ASNPO.

### **Use of estimates**

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant.

### **Fund accounting**

Horizon Housing follows the restricted fund method for accounting for contributions. Horizon Housing maintains the following Funds:

- The General Fund contains the assets, liabilities, revenue and expenses related to the Horizon Housing's operating activities. This fund comprises both internally and externally restricted replacement and operating reserves (notes 13 and 14).
- The Capital Fund contains the assets, liabilities, revenue and expenses related to Horizon Housing's capital assets.
- The Acquisition & Development Fund contains the assets, liabilities, revenues and expenses related to new initiatives of Horizon Housing. This fund comprises both internally and externally restricted building reserves (notes 13 and 14).

### **Revenue recognition**

Restricted contributions are recognized as revenue of the appropriate restricted fund when received or if no restricted fund exists, they are recognized as revenue of the General Fund when the related expenditures are incurred. Unrestricted contributions are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from rental of the properties, including subsidies, is recognized in the period earned, on a pro-rata basis over the lease term in the General Fund.

### **Contributed assets, materials and services**

Contributed assets are recorded at fair value at the date of contribution when fair value can be reasonably estimated. Contributed materials and services are recorded at fair value at the date of the donation only when the fair value can be reasonably estimated and when the materials and services are used in the normal course of Horizon Housing's operations and would otherwise have been purchased. The value of contributed assets, materials and services recognized in the financial statements in 2020 is \$nil (2019 – \$nil).

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2020

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### Capital assets

Capital assets are recorded at cost less accumulated amortization and any provision for impairment. The cost for contributed capital assets is considered to be fair value at the date of contribution. The cost of capital assets made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components.

Capital assets are tested for impairment when conditions indicate that a capital asset no longer contributes to Horizon Housing's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The write-downs of capital assets are recognized as expenses in the statement of operations.

Write-downs are not subsequently reversed.

Properties that are under the agreement with CMHC and AS, which include buildings and furniture and fixtures, are recorded at cost and are amortized at a rate equal to the annual principal reduction of the related mortgages as specified under agreements with CMHC and AS.

Capital improvements funded by Residential Rehabilitation Assistance Program loans are amortized on a 4% straight-line basis.

Capital assets that are not under the agreement with CMHC are recorded at cost and are amortized over their estimated useful life as follows:

Buildings	4% declining balance
Buildings envelop	2.5% straight line
Buildings elevators and mechanical	2.5% straight line
Buildings doors and windows	5% straight line
Buildings finishes	10% straight line
Furniture and fixtures	20% straight line
Computer equipment	33% straight line

Interest costs related to the financing of the construction of capital assets are capitalized until the assets are placed in service. Once the assets are in service, interest costs are amortized based on the estimated useful life of the corresponding assets.

### Intangible asset

Intangible asset consists of costs to purchase and implement a property management software system and is recorded at cost less accumulated amortization. Amortization is recorded over the estimated useful life of ten years on a straight-line basis.

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2020

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Intangible assets are tested for impairment when conditions indicate that the intangible asset no longer contributes to Horizon Housing's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the intangible asset is less than its net carrying amount. When conditions indicate that an intangible asset is impaired, the net carrying amount of the intangible asset is written down to the asset's fair value or replacement cost. The write-downs of intangible assets are recognized as expenses in the statement of operations.

Write-downs are not subsequently reversed.

### Allocated expenditures

In the course of its operations, management allocates certain expenditures between Horizon Housing Society and Horizon West Housing Society (Horizon West) on the basis of its best estimates of the utilization of staff and services. The method of allocation is consistent with prior years.

### Cash

Cash consists of cash on hand and bank balances. Restricted cash is held for replacement reserves and tenant security deposits (note 4).

### Financial instruments

Horizon Housing initially measures financial assets and financial liabilities at their fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. The financial assets subsequently measured at amortized cost include cash, restricted cash, investments, subsidy, miscellaneous receivables and due from Horizon West. The financial liabilities measured at amortized cost include accounts payable, interest payable, subsidies payable, security deposit payables, accrued liabilities and long-term debt.

Investments consist of guaranteed investment certificates. Investments are carried at cost with accrued interest recognized directly in the statement of operations and changes in fund balances as interest income. Investments with maturity within one year have been classified as short-term investments.

## 4 Restricted cash

Restricted cash includes the following:

	2020	2019
	\$	\$
Externally restricted replacement reserve	432,614	275,122
Tenant security deposits	314,542	247,823
	<hr/>	<hr/>
	747,156	522,945
	<hr/>	<hr/>

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2020

### 5 CMHC assistance and AS assistance

During the year, Horizon Housing obtained financial assistance from CMHC and AS, directly relating to certain properties that have operating agreements with these entities. In any year that Horizon Housing has revenue in excess of expenses relating to these certain properties, it may be asked to refund the excess on a project by project basis. Management estimates subsidies due to CMHC and AS with reference to formulae prescribed by the relevant funder. Subsidies payable at year-end include \$nil (2019 – \$nil) for Horizon 14. The estimated subsidy repayable is recorded against the subsidy revenue received during the year.

### 6 Capital assets

	<b>2020</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	15,954,831	-	15,954,831
Building	45,681,560	14,213,466	31,468,094
Building envelop	5,070,601	150,483	4,920,118
Building elevators and mechanical	10,120,524	300,193	9,820,331
Building doors and windows	1,323,129	97,215	1,225,914
Building finishes	3,707,881	387,861	3,320,020
Furniture and fixtures	1,647,644	411,598	1,236,046
Computer equipment	20,553	20,553	-
	<b>83,526,723</b>	<b>15,581,369</b>	<b>67,945,354</b>
			<b>2019</b>
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	14,378,300	-	14,378,300
Building	61,015,218	13,160,899	47,854,319
Furniture and fixtures	186,409	134,256	52,153
Computer equipment	20,553	20,553	-
	<b>75,600,480</b>	<b>13,315,708</b>	<b>62,284,772</b>

Included in building are costs of \$6,229,559 (2019 – \$24,512,625) related to the construction of Horizon Housing's new developments which are not subject to amortization.

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2020

### 7 Intangible asset

	2020		2019	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Property management software	24,065	9,213	14,852	17,258

### 8 Long-term liabilities

A summary of Horizon Housing's outstanding liabilities are as follows:

#### Long-term debt

Property	Interest rate	Mortgage held with	Monthly instalment amount (including interest) \$	Remaining amortization period	Renewal/maturity date	2020 \$	2019 \$
Horizon 14	9.88%	CMHC	14,826	18 years 11 months	September 2028	1,222,959	1,313,495
Albert House	2.51%	CMHC	877	7 years 10 months	February 2028	75,537	84,055
Keith House	1.12%	CMHC	494	9 years 8 months	February 2025	54,768	60,050
Miner House	2.84%	Royal Bank of Canada	1,409	1 years 8 months	July 2020	27,427	43,312
Horizon on 8 <sup>th</sup>	2.02%	Peoples Trust Company	9,819	20 years 9 months	December 2020	1,997,392	2,074,196
Miner House	N/A – *	Canadian Mental Health Association	-	-	-	40,000	40,000
Heritage Gardens	3.37%	TD Bank	19,171	17 years 8 months	December 2021	2,946,335	3,075,412
Horizon View	2.06%	CMHC	50,532	30 years	December 2027	13,561,000	-
						19,925,418	6,690,520
Transaction and financing fees						(12,101)	(12,101)
Less: Current portion, net of transactions and financing fees						(2,598,780)	(376,752)
						17,314,537	6,301,667

Long-term debt amount due to Calgary Mental Health Association for Miner House is non-interest bearing with no repayment terms. If the amount was in default, then interest would accrue at 8%.

Construction of Horizon View has been completed and the CMHC construction loan for this project, which had a balance of \$13,561,000 in 2019, has been converted into a mortgage. The mortgage details are included in the table above.

# Horizon Housing Society

## Notes to Financial Statements

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The following land and buildings have been pledged as collateral for the above loans and have a net book value of \$50,990,794 (2019 – \$14,833,071).

- Horizon 14
- Albert House
- Keith House
- Miner House
- Horizon on 8<sup>th</sup>
- Heritage Gardens
- Horizon View

Principal repayments required under the terms of the above mortgages and loans are as follows:

	\$
2021	2,598,780
2022	3,273,399
2023	476,335
2024	495,946
Future years	<u>13,080,958</u>
	<u>19,925,418</u>

### Forgivable loans

In the past, Horizon Housing completed repairs to Horizon Park and Horizon 14 and completed capital upgrades to Hamilton House, all of which were financed through Residential Rehabilitation Assistance Program and other forgivable loans as follows:

	<u>2020</u>		<u>2019</u>	
	<b>Original loan</b>	<b>Forgiven in</b>	<b>Unforgiven</b>	<b>Unforgiven</b>
	\$	current year	balance	balance
		\$	\$	\$
Horizon 14	283,093	6,804	27,203	34,007
Hamilton House	128,000	8,532	20,625	29,157
	<u>411,093</u>	<u>15,336</u>	<u>47,828</u>	<u>63,164</u>

As long as Horizon Housing continues to rent the number of assisted rental units to tenants at or below the established income threshold, the loans will continue to be forgiven to maturity. If Horizon Housing increases the rent, sells or transfers the property during the period of the loans, CMHC must be informed immediately and a portion or the total outstanding balance of the loans including the unearned forgivable portion, plus interest, will become due and payable.

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2020

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### Development loans

In 2017, Horizon Housing received loans of \$127,460 for the development of new housing projects. The loans are non-interest bearing and payable when the proposed housing project proceeds with a commitment for capital financing. Based on the affordability of the proposed project, up to 35% of the loan may be forgiven.

	\$
Current portion	100,000
Long-term portion	<u>27,460</u>
	<u>127,460</u>

### 9 Deferred contributions

Deferred contributions represent externally restricted amounts received that have not yet been spent.

	2020	2019
	\$	\$
Beginning balance	282,189	324,166
Contributions received in the year	23,550	10,000
Contributions recognized in the year	<u>(103,746)</u>	<u>(51,977)</u>
Ending balance	<u>201,993</u>	<u>282,189</u>

### 10 Related party transactions

Horizon Housing and Horizon West have the same Board of Directors and are under common management. Horizon West was incorporated on March 25, 1998 under the Societies Act of Alberta and commenced operations on August 1, 1998. Horizon West is a registered not-for-profit organization and is exempt from taxes under Section 149 (1)(l) of the Income Tax Act of Canada. Horizon West acquires land and buildings for the purpose of providing appropriate homes in an integrated environment for people with mental health challenges or other special needs.

Horizon West has not been consolidated in Horizon Housing's financial statements. The following is condensed financial information included in the financial statements of Horizon West as at March 31, 2020. These statements were prepared using the same accounting policies as Horizon Housing.

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2020

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	2020 \$	2019 \$
Financial position		
Total assets	2,473,159	2,003,486
Total liabilities	536,642	621,160
Total fund balances (net deficiency)	1,936,517	1,382,326
	<u>2,473,159</u>	<u>2,003,486</u>
Results of operations		
Revenue	1,477,238	1,668,013
Expenditures	923,047	918,228
Excess of revenue over expenditures	554,191	749,785
Cash flows		
Cash flows from operating activities	554,204	408,267
Cash flows from investing activities	(116,168)	(209,850)
Cash flows (utilized in) from financing activities	(59,530)	112,773
Increase in cash during the year	<u>378,506</u>	<u>311,190</u>

During the year ended March 31, 2020, Horizon West was allocated \$428,663 (2019 – \$480,808) by Horizon Housing for office and administration and salaries and benefits expenses. These charges were incurred in the normal course of operations and have been recognized as a reduction to the Horizon Housing's expenses as follows:

	2020 \$	2019 \$
Salaries and benefits expense	308,171	327,915
Office and administration expense	120,492	152,893

The balances due from Horizon West are non-interest bearing and unsecured and have no set terms of repayment.

### 11 Goods and services tax

Horizon Housing is designated a municipality pursuant to subsection 259(1) of the Excise Tax Act in respect of its housing units in a housing project that are supplied to tenants on a rent-geared-to-income basis. As such, Horizon Housing is eligible for a 100% rebate of the GST for property and services that related to its municipal activities in respect of which tax became payable on or after February 1, 2004.

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2020

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GST is accounted for as follows:

**a) Charitable portion**

- One half of the GST paid (non-refundable portion) is recorded in the individual expense accounts where the original expenditure is recorded; and
- One half of the GST paid (refundable portion) is recorded in the GST recoverable amount and is included in subsidy and miscellaneous receivables for financial statement purposes.

**b) Municipality portion**

- All of the GST paid for the municipal portion may be claimed as an input tax credit.

## 12 Financial instruments

Horizon Housing holds various forms of financial instruments as disclosed in note 3. The nature of these instruments and its operations expose Horizon Housing to risks as follows:

### Interest rate risk

Horizon Housing is exposed to interest rate risk at the renewal of its fixed rate borrowings. At March 31, 2020, Horizon Housing had fixed interest rates on its long-term obligations at effective rates of 1.12 % – 9.88 % (2019 – 1.12% to 9.88%). Horizon Housing also has non-interest bearing mortgage with interest calculated at 8% in the event of default.

### 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. Horizon Housing does not consider that it is exposed to undue credit risk.

### Liquidity risk

Liquidity risk is the risk that Horizon Housing will not be able to meet its financial obligations as they become due. Horizon housing's approach to managing liquidity risk is to ensure that it receives sufficient revenues to meet debt obligations. Our approach incorporates considerations of the impact, of the COVID-19 pandemic. Horizon Housing has a \$300,000 line of credit available at monthly interest rate of prime plus 1% for general operating requirements. At year-end, Horizon Housing has utilized \$nil (2019 – \$nil). As at March 31, 2020, Horizon Housing continues to meet its contractual obligations within normal payment terms and Horizon Housing's exposure to credit risk remains largely unchanged.

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2020

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### 13 Internally restricted fund balances

#### a) Replacement reserve

*Internally restricted replacement reserve* – a replacement reserve has been established by the Board of Directors to facilitate the repair or replacement of major building components as approved by the Board of Directors as follows:

	2020 \$	2019 \$
Balance – Beginning of the year	1,170,957	647,721
Internally restricted by the Board of Directors during the year	402,000	271,000
Transfer from externally restricted replacement reserve	-	498,791
Capital expenditures	(285,224)	(246,555)
	<hr/>	<hr/>
Balance – End of year	1,287,733	1,170,957

#### b) Acquisition and development reserve

*Internally restricted acquisition and development reserve* – a reserve has been established by the Board of Directors and is determined on the basis of revenues generated from non-funded activities. The reserve will be used to fund the acquisition and development of new residential projects as determined by the Board of Directors.

	2020 \$	2019 \$
Balance – Beginning of year	812,150	451,851
Internally restricted by the Board of Directors during the year Utilized	3,158,999 (1,728,385)	360,299 -
	<hr/>	<hr/>
Balance – End of year	2,242,764	812,150

#### c) Operating reserve

*Internally restricted operating reserve* – an operating reserve has been established by the Board of Directors to provide a cushion against future unexpected cash flow shortages, expenses or losses.

	2020 \$	2019 \$
Balance – Beginning of year	310,368	305,897
Additions – internally restricted by the Board of Directors	-	4,471
	<hr/>	<hr/>
Balance – End of year	310,368	310,368
	<hr/>	<hr/>
Total internally restricted fund balances	3,840,865	2,293,475

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2020

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### 14 Externally restricted fund balances

#### a) Replacement reserve

*Externally restricted replacement reserve* – under agreements with CMHC and AS for certain specific properties, Horizon Housing is required to make annual contributions to a separate replacement reserve account. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC or AS. The funds in the accounts may only be used as approved by CMHC or by AS. Withdrawals are applied to interest first and then principal.

	2020 \$	2019 \$
Balance – Beginning of the year	185,967	846,242
Additions during the year		
Horizon 14 – CMHC	70,001	70,000
Albert House – AS	6,500	6,500
Keith House – AS	2,000	2,000
Interest	-	7,058
Transfer to internally restricted replacement reserve	-	(498,791)
Capital expenditures and repairs and maintenance	(45,126)	(247,042)
	<hr/>	<hr/>
Balance – End of year	219,342	185,967

#### b) Acquisition and development reserve

*Externally restricted acquisition and development reserve* – represents amounts restricted by contributors to be used for particular building projects as follows:

	2020 \$	2019 \$
Balance – Beginning of year	6,936,838	510,637
Additions	59,871	12,180,523
Utilized	(4,200,529)	(5,754,322)
	<hr/>	<hr/>
Balance – End of year	2,796,180	6,936,838

#### c) Invested in capital assets

*Invested in capital assets* – includes the following amounts restricted by contributors to be used for specific capital upgrades.

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2020

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	2020 \$	2019 \$
Balance – Beginning of year	34,021	34,021
Additions	-	354,805
Utilized	-	(354,805)
	<hr/>	<hr/>
Balance – End of year	34,021	34,021

### 15 Subsidy schedule

	2020 \$	2019 \$
Subsidy revenue		
Private landlord rent supplement (PLRS)	506,438	520,391
Alberta Seniors and Housing	-	-
CMHC – Section 95 assistance	82,707	82,707
CMHC – rent supplement	86,362	77,294
Other rent subsidies	1,881	-
	<hr/>	<hr/>
	677,388	680,392

### 16 Statutory disclosures

As required under Section 7(2) of the Charitable Fundraising Act of Alberta, Horizon Housing discloses the following:

	\$
Remuneration to employees whose principle duties involve fundraising	nil

### 17 Government remittances

Government remittances consist of payroll withholding taxes required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances outstanding as at March 31, 2020, \$nil (2019 – \$nil) is included within accounts payable and accrued liabilities.

### 18 Commitments

#### Land leases

- **Bob Ward Residence**

The land on which the Bob Ward Residence is located is owned by the City of Calgary, who have provided it to Horizon Housing under a lease. The terms of the lease are that 20% of any annual surplus from the

# Horizon Housing Society

## Notes to Financial Statements

March 31, 2020

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building is to be paid to the City of Calgary for the period between 2022 and 2027. The payment is due upon exercising the first renewal option in 2027.

- **Alice Bissett Place**

The land on which the Alice Bissett Place building is located is owned by the City of Calgary, who have provided it to Horizon Housing under a lease. The term is 25 years from the commencement date of July 1, 2007. The renewal term is five years with seven options to renew. A rental payment of \$10 per annum is payable on the commencement date and thereafter on each anniversary of the commencement date.

As a condition of the land lease, the building must only be used and occupied for affordable housing and not for any other purpose.

In addition, Horizon Housing must not substantially change the use of the building or mix of occupants of the building for a period of at least ten years from the date of the occupancy permit for the site.

### Administrative leases

Horizon Housing is required to make the following payments under certain office space and equipment lease agreements.

	\$
2021	101,059
2022	96,537
2023	96,537
2024	96,537
2025	80,448
	<hr/>
	471,118
	<hr/>

## 19 COVID-19 pandemic

In March 2020, the World Health Organization characterized the COVID-19 virus as a global pandemic. As at March 31, 2020, the COVID-19 global pandemic had not yet had a significant impact on Horizon Housing's operations or global capital markets, therefore no adjustments have been recorded in the financial statements relating to this crisis for the period then ended. Management has assessed that there are no significant disclosures to make with respect to any changes to assets or liabilities in the subsequent period or any significant effects on the future operations of Horizon Housing. As it is not yet known when public health restrictions will be removed, nor the long-term impact of COVID-19, it is not possible to estimate any financial impact of this event on Horizon Housing's financial results subsequent to March 31, 2020.