

Horizon Housing Society

Financial Statements

March 31, 2021



Independent auditor's report

To the Directors of Horizon Housing Society

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 Organization) as at March 31, 2021 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 Organization's financial statements comprise:

- the statement of financial position as at March 31, 2021;
- 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 significant accounting policies and other explanatory information.

Basis for qualified opinion

As discussed in note 2, the Organization amortizes certain of its properties, which represented as at March 31, 2021, \$4,495,431 (2020 - \$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 (AS). 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 Organization'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 of revenue over expenditures for the year ended March 31, 2021 should be decreased and increased respectively by \$59,494 (2020 - \$39,873), capital assets and fund balances as at March 31, 2021 should be decreased by \$814,143 (2020 - \$873,637) and the fund balances as at April 1, 2020 should be decreased by \$873,637 (2019 - \$913,510).

Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the effects of this matter.

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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 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 Organization 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.

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 Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit



evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization 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 30, 2021

Horizon Housing Society

Statement of Financial Position

As at March 31, 2021

	2021 \$	2020 \$
Assets		
Current		
Cash	11,366,520	10,211,852
Restricted cash (note 3)	1,008,004	747,156
Short-term investment	-	300,000
Subsidy and miscellaneous receivables	469,716	120,572
Prepaid expenses	363,150	96,066
Due from Horizon West (note 9)	222,132	83,803
	<u>13,429,522</u>	<u>11,559,449</u>
Intangible asset (note 6)	12,446	14,852
Capital assets (note 5)	<u>91,905,361</u>	<u>67,945,354</u>
	<u>105,347,329</u>	<u>79,519,655</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	1,627,869	1,205,415
Holdback payable	471,418	370,715
Unearned revenue	80,703	46,324
Security deposits payable	389,697	314,542
Long-term debt (note 7)	7,030,867	2,698,780
	<u>9,600,554</u>	<u>4,635,776</u>
Long-term debt (note 7)	23,130,287	17,401,926
Deferred contributions (note 8)	<u>329,324</u>	<u>201,993</u>
	<u>33,060,165</u>	<u>22,239,695</u>
Fund balances		
Unrestricted	5,782,965	2,636,995
Invested in capital assets	59,434,417	47,786,578
Internally restricted (note 12)	6,782,336	3,840,865
Externally restricted (note 13)	287,446	3,015,522
	<u>72,287,164</u>	<u>57,279,960</u>
	<u>105,347,329</u>	<u>79,519,655</u>
Commitments (note 17)		

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, 2021

	General Fund \$	Capital Fund \$	Acquisition & Development Fund \$	2021 \$	2020 \$
Revenue					
Rental	4,789,773	-	-	4,789,773	4,219,639
Subsidy and government grants (note 14)	647,326	-	-	647,326	2,466,704
Grants, donations and fundraising	3,604,557	11,372,994	1,853,313	16,830,864	3,061,441
Casino revenue	-	-	-	-	67,704
Forgiveness of debt	6,803	8,533	-	15,336	15,336
Other	420,102	-	-	420,102	442,144
Interest	48,775	-	29,230	78,005	266,388
	9,517,336	11,381,527	1,882,543	22,781,406	10,539,356
Interest expense funded by CMHC	35,803	-	-	35,803	35,803
	9,553,139	11,381,527	1,882,543	22,817,209	10,575,159
Expenditures					
Amortization	2,407	2,817,518	-	2,819,925	2,285,867
Bad debts	37,495	-	-	37,495	29,918
Insurance	247,401	-	-	247,401	125,084
Interest on long-term debt	593,593	-	-	593,593	572,700
Office and administration	564,341	-	114,636	678,977	454,440
Property taxes	45,461	-	-	45,461	19,254
Repairs and replacements	846,443	-	-	846,443	785,077
Salaries and employee benefits	1,943,150	-	-	1,943,150	1,437,230
Utilities	982,012	-	-	982,012	814,711
Fundraising expenses	19,848	-	-	19,848	21,724
Overhead allocation to Horizon West	(404,300)	-	-	(404,300)	-
	4,877,851	2,817,518	114,636	7,810,005	6,546,005
Excess of revenue over expenditures	4,675,288	8,564,009	1,767,907	15,007,204	4,029,154
Fund balances – Beginning of year	4,454,438	47,786,578	5,038,944	57,279,960	53,250,806
Interfund transfer – fixed asset additions	-	7,038,322	(7,038,322)	-	-
Interfund transfer – repayment of long-term debt	(525,140)	525,140	-	-	-
Interfund transfer – internally restricted transfer	(600,000)	-	600,000	-	-
Interfund transfer – long-term debt	-	(4,479,632)	4,479,632	-	-
Fund balances – End of year	8,004,586	59,434,417	4,848,161	72,287,164	57,279,960

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

Horizon Housing Society

Statement of Cash Flows

For the year ended March 31, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year (General Fund and Acquisition & Development Fund)	6,443,195	4,254,082
Items not affecting cash		
Amortization of mortgage fees	-	12,101
Amortization of deferred contributions (note 8)	(214,219)	(103,746)
Forgiveness of debt	(6,803)	(6,804)
	<u>6,222,173</u>	<u>4,155,633</u>
Changes in non-cash operating items		
Subsidy and miscellaneous receivables	(349,144)	(51,032)
Prepaid expenses	(267,084)	216,141
Due from Horizon West	(138,329)	17,753
Accounts payable and accrued liabilities	(391,444)	498,803
Additions to deferred contributions (note 8)	341,550	23,550
Unearned revenue	34,379	(81,841)
Security deposits payable	75,155	64,026
Amortization of intangible assets	2,406	2,407
Capital contributions received in Acquisition & Development Fund	(1,853,313)	(2,672,385)
	<u>3,676,349</u>	<u>2,173,055</u>
Financing activities		
Proceeds from development loans and construction financing	10,585,588	-
Repayment of debt	(509,804)	(326,103)
Contributions restricted for capital assets	13,226,307	4,722,385
	<u>23,302,091</u>	<u>4,396,282</u>
Investing activities		
Purchase of investments	-	(300,000)
Redemption of matured investments	300,000	300,000
Purchase of capital assets ¹	(26,777,525)	(7,944,042)
Changes in accounts payable and accrued liabilities related to the construction of capital assets	813,898	-
Changes in holdback payable	100,703	370,715
Additions to restricted cash	(260,848)	(224,211)
	<u>(25,823,772)</u>	<u>(7,797,538)</u>
Increase (decrease) in cash during the year	1,154,668	(1,228,201)
Cash – Beginning of year	<u>10,211,852</u>	<u>11,440,053</u>
Cash – End of year	<u>11,366,520</u>	<u>10,211,852</u>
Supplementary information		
Interest paid	593,593	560,590
Interest received	78,005	266,388

¹An additional \$18,411,316 (2020 – \$5,803,865) 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, 2021

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 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 mortgages.

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 Horizon Housing's operating activities. This fund comprises both internally and externally restricted replacement and operating reserves (notes 12 and 13).
- 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 12 and 13).

Horizon Housing Society

Notes to Financial Statements

March 31, 2021

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 2021 is \$nil (2020 – \$nil).

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 writedowns of capital assets are recognized as expenses in the statement of operations and changes in fund balances.

Writedowns 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.

Horizon Housing Society

Notes to Financial Statements

March 31, 2021

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

Building	4% declining balance
Building envelop	2.5% straight line
Building elevators and mechanical	2.5% straight line
Building doors and windows	5% straight line
Building 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.

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 writedowns of intangible assets are recognized as expenses in the statement of operations and changes in fund balances.

Writedowns are not subsequently reversed.

Allocated expenditures

In the course of its operations, management allocates certain expenditures between Horizon Housing 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 3).

Horizon Housing Society

Notes to Financial Statements

March 31, 2021

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.

3 Restricted cash

Restricted cash includes the following:

	2021 \$	2020 \$
Externally restricted replacement reserve	619,347	432,614
Tenant security deposits	388,657	314,542
	<u>1,008,004</u>	<u>747,156</u>

4 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 (2020 – \$nil) for Horizon 14. The estimated subsidy repayable is recorded against the subsidy revenue received during the year.

Horizon Housing Society

Notes to Financial Statements

March 31, 2021

5 Capital assets

	2021		
	Cost \$	Accumulated amortization \$	Net \$
Land	22,077,574	-	22,077,574
Building	57,040,518	15,477,408	41,563,110
Building envelop	6,834,898	325,420	6,509,478
Building elevators and mechanical	13,594,168	648,605	12,945,563
Building doors and windows	1,852,418	208,381	1,644,037
Building finishes	6,177,897	902,583	5,275,314
Furniture and fixtures	2,706,222	815,937	1,890,285
Computer equipment	20,553	20,553	-
	<u>110,304,248</u>	<u>18,398,887</u>	<u>91,905,361</u>

	2020		
	Cost \$	Accumulated amortization \$	Net \$
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	-
	<u>83,526,723</u>	<u>15,581,369</u>	<u>67,945,354</u>

Included in building are costs of \$6,688,535 (2020 – \$6,229,559) related to the construction of Horizon Housing's new developments, which are not subject to amortization.

6 Intangible asset

	2021		2020	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Property management software	24,065	11,619	12,446	14,852

Horizon Housing Society

Notes to Financial Statements

March 31, 2021

7 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	2021 \$	2020 \$
Horizon 14	9.88%	CMHC	14,826	17 years 11 months	September 2028	1,123,262	1,222,959
Albert House	2.51%	CMHC	877	6 years 10 months	February 2028	66,796	75,537
Keith House	0.80%	CMHC	494	8 years 8 months	February 2025	49,354	54,768
Miner House	-	-	-	-	-	-	27,427
Horizon on 8 th	1.59%	Peoples Trust	9,431	19 years 9 months	June 2026	1,918,127	1,997,392
Miner House	-	CMHA	-	-	-	40,000	40,000
Heritage Gardens	3.37%	TD	19,171	16 years 8 months	December 2021	2,812,872	2,946,335
Horizon View	2.06%	CMHC	50,532	29 years 5 months	December 2027	13,395,163	13,561,000
Triwood	2.035%	Peoples Trust	9,723	29 years 10 months	March 2031	2,615,996	-
Elan	3.9%	Varel Corp.	11,375	1 year 0 months	March 2022	3,500,000	-
Pineridge	0.75%	CMHC	4,830	49 years 7 months	November 2030	4,479,632	-
						30,001,202	19,925,418
Transaction and financing fees						-	(12,101)
Less: Current portion, net of transactions and financing fees						(6,915,531)	(2,598,780)
						<u>23,085,671</u>	<u>17,314,537</u>

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%.

The following land and buildings have been pledged as collateral for the above loans and have a net book value of \$75,220,800 (2020 – \$50,990,794).

- Horizon 14
- Albert House
- Keith House
- Horizon on 8th
- Heritage Gardens
- Horizon View
- Triwood
- Elan
- Pineridge

Horizon Housing Society

Notes to Financial Statements

March 31, 2021

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

	\$
2022	6,915,531
2023	5,091,852
2024	632,700
2025	656,258
Future years	<u>16,704,861</u>
	<u>30,001,202</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:

			2021	2020
	Original loan \$	Forgiven in current year \$	Unforgiven balance \$	Unforgiven balance \$
Horizon 14	283,093	6,803	20,400	27,203
Hamilton House	128,000	8,533	12,092	20,625
	<u>411,093</u>	<u>15,336</u>	<u>32,492</u>	<u>47,828</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.

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>

Horizon Housing Society

Notes to Financial Statements

March 31, 2021

8 Deferred contributions

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

	2021 \$	2020 \$
Beginning balance	201,993	282,189
Contributions received in the year	341,550	23,550
Contributions recognized in the year	(214,219)	(103,746)
Ending balance	<u>329,324</u>	<u>201,993</u>

9 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 Housing and Horizon West have changed the presentation of overhead expenses that are allocated to Horizon West each year. In previous fiscal years, allocated overhead expenses were included within the individual expense lines of Horizon West and removed from the individual expense lines of Horizon Housing. To improve our transparency and to be comparable to other housing providers we are now disclosing overhead allocations on a separate line within each entity.

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, 2021. These financial statements were prepared using the same accounting policies as Horizon Housing.

Horizon Housing Society

Notes to Financial Statements

March 31, 2021

	2021 \$	2020 \$
Financial position		
Total assets	3,101,939	2,473,159
Total liabilities	573,421	536,642
Total fund balances (net deficiency)	2,528,518	1,936,517
	<u>3,101,939</u>	<u>2,473,159</u>
Results of operations		
Revenue	1,493,216	1,477,238
Expenditures	901,215	923,047
Excess of revenue over expenditures	592,001	554,191
Cash flows		
Cash flows from operating activities	688,154	554,204
Cash flows utilized in investing activities	(112,203)	(116,168)
Cash flows utilized in financing activities	(61,035)	(59,530)
Increase in cash during the year	<u>514,916</u>	<u>378,506</u>

During the year ended March 31, 2021, Horizon West was allocated \$404,300 (2020 – \$428,663) 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 Horizon Housing's expenses as follows:

	2021 \$	2020 \$
Salaries and benefits expense	-	308,171
Office and administration expense	-	120,492
Overhead allocation to Horizon West	404,300	-

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

10 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, 2021

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.

11 Financial instruments

Horizon Housing holds various forms of financial instruments as disclosed in note 2. 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, 2021, Horizon Housing had fixed interest rates on its long-term obligations at effective rates of 0.80% to 9.88 % (2020 – 1.12% to 9.88%). Horizon Housing also has a 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 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, 2021

12 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:

	2021 \$	2020 \$
Balance – Beginning of the year	1,287,733	1,170,957
Internally restricted by the Board of Directors during the year	487,998	402,000
Transfer from externally restricted replacement reserve	-	-
Capital expenditures	(124,647)	(285,224)
	<hr/>	<hr/>
Balance – End of year	1,651,084	1,287,733

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.

	2021 \$	2020 \$
Balance – Beginning of year	2,242,764	812,150
Internally restricted by the Board of Directors during the year Utilized	6,847,539	3,158,999
	(4,269,419)	(1,728,385)
	<hr/>	<hr/>
Balance – End of year	4,820,884	2,242,764

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.

	2021 \$	2020 \$
Balance – Beginning of year	310,368	310,368
Additions – internally restricted by the Board of Directors	-	-
	<hr/>	<hr/>
Balance – End of year	310,368	310,368
	<hr/>	<hr/>
Total internally restricted fund balances	6,782,336	3,840,865

Horizon Housing Society

Notes to Financial Statements

March 31, 2021

13 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.

	2021 \$	2020 \$
Balance – Beginning of the year	219,342	185,967
Additions during the year		
Horizon 14 – CMHC	80,000	70,001
Albert House – AS	10,000	6,500
Keith House – AS	2,000	2,000
Interest	-	-
Transfer to internally restricted replacement reserve	-	-
Capital expenditures and repairs and maintenance	(51,173)	(45,126)
	<hr/>	<hr/>
Balance – End of year	260,169	219,342

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:

	2021 \$	2020 \$
Balance – Beginning of year	2,796,180	6,936,838
Additions	-	59,871
Utilized	(2,768,903)	(4,200,529)
	<hr/>	<hr/>
Balance – End of year	27,277	2,796,180

Horizon Housing Society

Notes to Financial Statements

March 31, 2021

14 Subsidy schedule

	2021	2020
	\$	\$
Subsidy revenue		
Private landlord rent supplement (PLRS)	494,099	506,438
Alberta Seniors and Housing	-	-
CMHC – Section 95 assistance	82,707	82,707
CMHC – rent supplement	70,520	86,362
Other rent subsidies	-	1,881
	<hr/>	<hr/>
	647,326	677,388

15 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	-

16 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, 2021, \$nil (2020 – \$nil) is included within accounts payable and accrued liabilities.

17 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 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.

Horizon Housing Society

Notes to Financial Statements

March 31, 2021

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.

	\$
2022	96,537
2023	96,537
2024	96,537
2025	80,448
2026	-
	<hr/>
	370,059
	<hr/>

18 COVID-19 pandemic

In March 2020, the World Health Organization declared the COVID-19 outbreak a worldwide pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include restrictions on events and gatherings, the implementation of travel bans, quarantine periods and physical distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Governments and central banks have introduced significant monetary and fiscal relief programs designed to stabilize economic conditions. Public health orders and the current economic environment have and may continue to have significant adverse impacts on Horizon Housing.

Management has assessed the financial impact of COVID-19 at March 31, 2021, including its impact on revenues and expenses. The current economic challenges have not resulted in any material impacts for Horizon Housing.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on Horizon Housing is not known at this time. Horizon Housing will continue to monitor the impacts of the pandemic and continue to adjust to the volatile situation.