

Horizon Housing and Forward Housing – two leading affordable housing not-for-profits with long histories and strong legacies of service in Calgary – plan to merge in the fall of 2022. As a result, Horizon Housing did not do a full Report to Community, but instead is sharing financial statements and notes. We look forward to providing you with the merged entities' full Report to Community in 2023.

Horizon Housing Society

Financial Statements

March 31, 2022

Horizon Housing Society

Statement of Financial Position

As at March 31, 2022

	2022 \$	2021 \$
Assets		
Current		
Cash	7,031,790	11,366,520
Restricted cash (note 3)	1,208,525	1,008,004
Short-term investment	150,000	-
Subsidy and miscellaneous receivables	405,145	469,716
Prepaid expenses	461,468	363,150
Due from Horizon West (note 9)	-	222,132
	<u>9,256,928</u>	<u>13,429,522</u>
Intangible asset (note 6)	10,039	12,446
Capital assets (note 5)	<u>109,207,286</u>	<u>91,905,361</u>
	<u>118,474,253</u>	<u>105,347,329</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	1,396,980	1,627,869
Holdback payable	1,039,545	471,418
Unearned revenue	85,874	80,703
Security deposits payable	449,808	389,697
Due to Horizon West (Note 9)	1,088,313	-
Long-term debt (note 7)	3,402,296	7,030,867
	<u>7,462,816</u>	<u>9,600,554</u>
Long-term debt (note 7)	29,710,072	23,130,287
Deferred contributions (note 8)	<u>42,100</u>	<u>329,324</u>
	<u>37,214,988</u>	<u>33,060,165</u>
Fund balances		
Unrestricted	(1,272,386)	5,782,965
Invested in capital assets	73,778,327	59,434,417
Internally restricted (note 12)	8,453,802	6,782,336
Externally restricted (note 13)	299,522	287,446
	<u>81,259,265</u>	<u>72,287,164</u>
	<u>118,474,253</u>	<u>105,347,329</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, 2022

	General Fund \$	Capital Fund \$	Acquisition & Development Fund \$	2022 \$	2021 \$
Revenue					
Rental	5,419,259	-	-	5,419,259	4,789,773
Subsidy and government grants (note 14)	645,141	4,684,420	-	5,329,561	647,326
Grants, donations and fundraising	315,488	-	6,025,955	6,341,443	16,830,864
Casino revenue	-	-	-	-	-
Forgiveness of debt	6,803	8,533	-	15,336	15,336
Other	497,756	-	-	497,756	420,102
Interest	47,880	-	29,215	77,095	78,005
	6,932,327	4,692,953	6,055,170	17,680,450	22,781,406
Interest expense funded by CMHC	35,803	-	-	35,803	35,803
	6,968,130	4,692,953	6,055,170	17,716,253	22,817,209
Expenditures					
Amortization	2,407	3,354,352	-	3,356,759	2,819,925
Bad debts	89,963	-	-	89,963	37,495
Insurance	227,874	-	-	227,874	247,401
Interest on long-term debt	695,849	-	-	695,849	593,593
Office and administration	793,091	-	26,361	819,452	678,977
Property taxes	53,594	-	-	53,594	45,461
Repairs and replacements	861,246	-	-	861,246	846,443
Salaries and employee benefits	1,743,868	-	-	1,743,868	1,943,150
Utilities	1,248,158	-	-	1,248,158	982,012
Fundraising expenses	-	-	-	-	19,848
Overhead allocation to Horizon West	(352,611)	-	-	(352,611)	(404,300)
	5,363,439	3,354,352	26,361	8,744,152	7,810,005
Excess of revenue over expenditures	1,604,691	1,338,601	6,028,809	8,972,101	15,007,204
Fund balances – Beginning of year	8,004,586	59,434,417	4,848,161	72,287,164	57,279,960
Interfund transfer – fixed asset additions	(92,791)	20,656,277	(20,563,486)	-	-
Interfund transfer – repayment of long-term debt	(4,245,608)	4,245,608	-	-	-
Interfund transfer – internally restricted transfer	(600,000)	-	600,000	-	-
Interfund transfer – RHI grant	(3,274,125)	-	3,274,125	-	-
Interfund transfer – long-term debt	-	(11,896,576)	11,896,576	-	-
Fund balances – End of year	1,396,753	73,778,327	6,084,185	81,259,265	72,287,164

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

Horizon Housing Society

Statement of Cash Flows

For the year ended March 31, 2022

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year (General Fund and Acquisition & Development Fund)	7,633,500	6,443,195
Items not affecting cash		
Amortization of mortgage fees	-	-
Amortization of deferred contributions (note 8)	(287,224)	(214,219)
Forgiveness of debt	1,731	(6,803)
	<u>7,348,007</u>	<u>6,222,173</u>
Changes in non-cash operating items		
Subsidy and miscellaneous receivables	64,571	(349,144)
Prepaid expenses	(98,316)	(267,084)
Due to (from) Horizon West	1,310,447	(138,329)
Accounts payable and accrued liabilities	(135,303)	(391,444)
Additions to deferred contributions (note 8)	-	341,550
Unearned revenue	5,171	34,379
Security deposits payable	60,111	75,155
Amortization of intangible assets	2,407	2,406
Capital contributions received in Acquisition & Development Fund	(6,025,955)	(1,853,313)
	<u>2,531,140</u>	<u>3,676,349</u>
Financing activities		
Proceeds from development loans and construction financing	11,896,576	10,585,588
Repayment of debt	(4,254,142)	(509,804)
Contributions restricted for capital assets	6,025,955	13,226,307
	<u>13,668,389</u>	<u>23,302,091</u>
Investing activities		
Purchase of investments	(150,000)	-
Redemption of matured investments	-	300,000
Purchase of capital assets ¹	(20,656,277)	(26,777,525)
Changes in accounts payable and accrued liabilities related to the construction of capital assets	(95,588)	813,898
Changes in holdback payable	568,127	100,703
Additions to restricted cash	(200,521)	(260,848)
	<u>(20,534,259)</u>	<u>(25,823,772)</u>
Increase (decrease) in cash during the year	(4,334,730)	1,154,668
Cash – Beginning of year	11,366,520	10,211,852
Cash – End of year	<u>7,031,790</u>	<u>11,366,520</u>
Supplementary information		
Interest paid	686,539	593,593
Interest received	77,095	78,005

¹An additional \$8,333,777 (2021 – \$18,411,316) 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, 2022

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, 2022

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 2022 is \$ nil (2021 – \$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

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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, 2022

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:

	2022 \$	2021 \$
Externally restricted replacement reserve	791,017	619,347
Tenant security deposits	417,508	388,657
	<u>1,208,525</u>	<u>1,008,004</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, 2022

5 Capital assets

	2022		
	Cost \$	Accumulated amortization \$	Net \$
Land	28,542,285	-	28,542,285
Building	67,860,937	16,942,204	50,918,733
Building envelop	7,470,600	524,398	6,946,202
Building elevators and mechanical	14,866,375	1,044,416	13,821,959
Building doors and windows	1,852,419	142,943	1,709,476
Building finishes	7,068,843	1,551,942	5,516,901
Furniture and fixtures	3,087,483	1,335,753	1,751,730
Computer equipment	20,553	20,553	-
	<u>130,769,495</u>	<u>21,562,209</u>	<u>109,207,286</u>
	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>

Included in building are costs of \$13,217,515 (2021 – \$6,688,535) related to the construction of Horizon Housing's new developments, which are not subject to amortization.

6 Intangible asset

	2022		2021	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Property management software	24,065	14,026	10,039	12,446

Horizon Housing Society

Notes to Financial Statements

March 31, 2022

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	2022 \$	2021 \$
Horizon 14	9.88%	CMHC	14,826	16 years 11 months	September 2028	1,007,850	1,123,262
Albert House	2.51%	CMHC	877	5 years 10 months	February 2028	57,823	66,796
Keith House	0.80%	CMHC	494	7 years 8 months	February 2025	43,881	49,354
Horizon on 8 th	1.59%	Peoples Trust	9,431	19 years 9 months	June 2026	1,834,747	1,918,127
Miner House	-	CMHA	-	-	-	40,000	40,000
Heritage Gardens	3.37%	TD	19,171	15 years 8 months	May 2022	2,678,764	2,812,872
Horizon View	2.06%	CMHC	50,532	28 years 5 months	December 2027	13,061,168	13,395,163
Triwood	2.035%	Peoples Trust	9,723	28 years 10 months	March 2031	2,551,730	2,615,996
Elan	-	-	-	-	-	-	3,500,000
Pineridge	0.75%	CMHC	4,830	48 years 7 months	November 2030	11,691,788	4,479,632
						32,967,751	30,001,202
Transaction and financing fees						-	-
Less: Current portion, net of transactions and financing fees						(3,302,296)	(6,915,531)
						<u>29,665,455</u>	<u>23,085,671</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 \$ 65,012,146 (2021 – \$75,220,800).

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

Horizon Housing Society

Notes to Financial Statements

March 31, 2022

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

	\$
2023	3,302,296
2024	632,700
2025	656,258
Future years	<u>28,376,497</u>
	<u>32,967,751</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>2022</u>		<u>2021</u>	
	<u>Original loan</u>	<u>Forgiven in</u>	<u>Unforgiven</u>	<u>Unforgiven</u>
	\$	current year	balance	balance
		\$	\$	\$
Horizon 14	283,093	6,803	13,597	20,400
Hamilton House	128,000	8,533	3,559	20,000
	<u>411,093</u>	<u>15,336</u>	<u>17,156</u>	<u>32,492</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

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March 31, 2022

8 Deferred contributions

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

	2022 \$	2021 \$
Beginning balance	329,324	201,993
Contributions received in the year	-	341,550
Contributions recognized in the year	(287,224)	(214,219)
Ending balance	<u>42,100</u>	<u>329,324</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, 2022. These financial statements were prepared using the same accounting policies as Horizon Housing.

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March 31, 2022

	2022 \$	2021 \$
Financial position		
Total assets	2,306,293	3,101,939
Total liabilities	(831,081)	573,421
Total fund balances (net deficiency)	3,137,374	2,528,518
	2,306,293	3,101,939
Results of operations		
Revenue	1,482,639	1,493,216
Expenditures	(873,783)	(901,215)
Excess of revenue over expenditures	608,856	592,001
Cash flows		
Cash flows utilized in operating activities	(780,403)	688,154
Cash flows utilized in investing activities	(109,697)	(112,203)
Cash flows utilized in financing activities	(62,715)	(61,035)
Increase (decrease) in cash during the year	(952,815)	514,916

During the year ended March 31, 2022, Horizon West was allocated \$352,611 (2021 – \$404,300) 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:

	2022 \$	2021 \$
Salaries and benefits expense	-	-
Office and administration expense	-	-
Overhead allocation to Horizon West	352,611	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

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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.

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, 2022, Horizon Housing had fixed interest rates on its long-term obligations at effective rates of 0.80% to 9.88% (2021 – 0.80% 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.

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March 31, 2022

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:

	2022 \$	2021 \$
Balance – Beginning of the year	1,651,084	1,287,733
Internally restricted by the Board of Directors during the year	601,000	487,998
Transfer from externally restricted replacement reserve	-	-
Capital expenditures	(192,834)	(124,647)
	<hr/>	<hr/>
Balance – End of year	2,059,250	1,651,084

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.

	2022 \$	2021 \$
Balance – Beginning of year	4,820,884	2,242,764
Internally restricted by the Board of Directors during the year	18,525,385	6,847,539
Utilized	(17,262,085)	(4,269,419)
	<hr/>	<hr/>
Balance – End of year	6,084,184	4,820,884

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.

	2022 \$	2021 \$
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	8,453,802	6,782,336

Horizon Housing Society

Notes to Financial Statements

March 31, 2022

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.

	2022 \$	2021 \$
Balance – Beginning of the year	260,169	219,342
Additions during the year		
Horizon 14 – CMHC	80,000	80,000
Albert House – AS	10,000	10,000
Keith House – AS	2,000	2,000
Interest		-
Transfer to internally restricted replacement reserve		-
Capital expenditures and repairs and maintenance	(52,647)	(51,173)
Balance – End of year	<u>299,522</u>	<u>260,169</u>

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:

	2022 \$	2021 \$
Balance – Beginning of year	27,277	2,796,180
Additions	3,274,125	-
Utilized	(3,301,402)	(2,768,903)
Balance – End of year	<u>-</u>	<u>27,277</u>

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Notes to Financial Statements

March 31, 2022

14 Subsidy schedule

	2022	2021
	\$	\$
Subsidy revenue		
Private landlord rent supplement (PLRS)	491,252	494,099
Alberta Seniors and Housing	-	-
CMHC – Section 95 assistance	82,707	82,707
CMHC – rent supplement	71,182	70,520
Other rent subsidies	-	-
	<hr/>	<hr/>
	645,141	647,326

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, 2022, \$nil (2021 – \$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, 2022

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.

	\$
2023	96,537
2024	96,537
2025	80,448
2026	-
	<hr/>
	273,522
	<hr/>

18 Contingencies

In February 2022, Horizon Housing entered into a loan agreement with CMHC for a land acquisition related to a property development project. The principal amount of \$4,684,420 shall be forgiven provided that Horizon Housing has fulfilled its obligations under the loan agreement and completed the project by March 31, 2027. Horizon Housing expects to remain in compliance and complete the project timely, and the principal amount has been recorded as a government grant for the year ended March 31, 2022. However, if Horizon Housing fails to meet certain conditions due to unforeseeable circumstances, the principal amount will be recognized as a liability and fully repaid.

19 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, 2022, including its impact on revenues and expenses. The current economic challenges have not resulted in any material impacts for Horizon Housing.

Horizon Housing Society

Notes to Financial Statements

March 31, 2022

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.

Horizon West Housing Society

Financial Statements
March 31, 2022

Horizon West Housing Society

Statement of Financial Position

As at March 31, 2022

	2022 \$	2021 \$
Assets		
Current		
Cash	382,391	1,335,206
Restricted cash (note 3)	829,994	720,297
Subsidy and miscellaneous receivables	53,656	14,408
Prepaid expenses	9,934	1,710
Due from Horizon Housing Society	1,118,128	-
	<hr/> 2,394,103	<hr/> 2,071,621
Capital assets (note 4)	1,030,318	1,030,318
	<hr/> 3,424,421	<hr/> 3,101,939
Liabilities		
Current		
Accounts payable and accrued liabilities	57,521	53,301
Due to Horizon Housing Society (note 7)	-	225,384
Unearned revenue	18,521	18,006
Security deposits payable	75,655	78,665
Long-term debt (note 5)	64,139	62,551
	<hr/> 215,836	<hr/> 437,907
Long-term debt (note 5)	71,211	135,514
Deferred contributions (note 6)	-	-
	<hr/> 287,047	<hr/> 573,421
Fund balances		
Unrestricted	1,487,184	1,050,329
Invested in capital assets	1,105,244	1,042,529
Internally restricted (note 10)	544,946	435,660
	<hr/> 3,137,374	<hr/> 2,528,518
	<hr/> 3,424,421	<hr/> 3,101,939

Approved by the Board of Directors

Wade Paget

Bryan Romanesky

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

Horizon West Housing Society
Statement of Operations and Changes in Fund Balances
For the year ended March 31, 2022

	General Fund \$	Capital Fund \$	2022 \$	2021 \$
Revenue				
Rental	729,178	-	729,178	722,710
Subsidy and grant (note 11)	563,859	-	563,859	614,734
Other	174,090	-	174,090	143,929
Interest	15,512	-	15,512	11,843
	<u>1,482,639</u>	<u>-</u>	<u>1,482,639</u>	<u>1,493,216</u>
Expenditures				
Bad debts	4,911	-	4,911	5,260
Fundraising expense	-	-	-	-
Insurance	22,137	-	22,137	27,742
Interest on long-term debt	4,093	-	4,093	5,774
Office and administration	25,104	-	25,104	25,447
Property taxes	9,132	-	9,132	16,047
Repairs and replacements	150,113	-	150,113	143,189
Salaries and employee benefits	50,991	-	50,991	54,312
Utilities	254,691	-	254,691	219,144
Overhead allocation	352,611	-	352,611	407,906
	<u>873,783</u>	<u>-</u>	<u>873,783</u>	<u>901,215</u>
Excess of revenue over expenditures	608,856	-	608,856	592,001
Fund balances – Beginning of year	1,485,989	1,042,529	2,528,518	1,936,517
Interfund transfer – repayment of long-term debt	<u>(62,715)</u>	<u>62,715</u>	<u>-</u>	<u>-</u>
Fund balances – End of year	<u>2,032,130</u>	<u>1,105,244</u>	<u>3,137,374</u>	<u>2,528,518</u>

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

Horizon West Housing Society

Statement of Cash Flows

For the year ended March 31, 2022

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year (General Fund)	608,856	592,001
Changes in non-cash operating items		
Subsidy and miscellaneous receivables	(39,248)	(786)
Prepaid expenses	(8,223)	(875)
Accounts payable and accrued liabilities	4,220	9,160
Due to (from) Horizon Housing Society	(1,343,513)	141,581
Unearned revenue	515	(3,818)
Security deposits payable	(3,010)	4,891
Recognition of deferred contributions (note 6)	-	(54,000)
	<u>(780,403)</u>	<u>688,154</u>
Financing activities		
Repayment of long-term liabilities	<u>(62,715)</u>	<u>(61,035)</u>
Investing activities		
Addition to restricted cash	<u>(109,697)</u>	<u>(112,203)</u>
Increase (decrease) in cash during the year	(952,815)	514,916
Cash – Beginning of year	<u>1,335,206</u>	<u>820,290</u>
Cash – End of year	<u>382,391</u>	<u>1,335,206</u>
Supplementary information		
Interest paid	4,093	5,774
Interest received	15,512	11,843

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

Horizon West Housing Society

Notes to Financial Statements

March 31, 2022

1 Basis of operations

Horizon West Housing Society (the Society) was incorporated on March 25, 1998 under the Societies Act of Alberta and commenced operations on August 1, 1998. The Society is registered as a not-for-profit organization and is exempt from income taxes under Section 149 (1) (i) of the Income Tax Act of Canada. The Society acquires land and buildings for the purpose of providing affordable, integrated and supported homes. The Society serves tenants with a variety of vulnerabilities including people experiencing mental health challenges and other special needs.

2 Summary of significant accounting policies

The financial statements of the Society 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), which require that properties be 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

The Society follows the restricted fund method for accounting for contributions. The Society maintains the following funds:

- The General Fund contains the assets, liabilities, revenue and expenses related to the Society's operating activities (note 10).
- The Capital Fund contains the assets, liabilities, revenue and expenses related to the Society's capital assets.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund when received or if no restricted fund exists, they are recognized in 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.

Horizon West Housing Society

Notes to Financial Statements

March 31, 2022

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 the Society's operations and would otherwise have been purchased. The value of contributed assets, materials and services recognized in the financial statements in 2022 was \$nil (2021 – \$nil).

Capital assets

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

Capital improvements funded by RRAP 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
Furniture and equipment	20% straight line

Allocated expenditures

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

Financial instruments

The Society initially measures financial assets and financial liabilities at their fair value. It subsequently measures all its financial assets and liabilities at amortized cost. The financial assets subsequently measured at amortized cost include cash, restricted cash, investments, subsidy and miscellaneous receivables. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities, accrued interest payable, due to Horizon Housing Society, security deposits payable 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.

Horizon West Housing Society

Notes to Financial Statements

March 31, 2022

3 Restricted cash

Restricted cash comprises the following:

	2022	2021
	\$	\$
Internally restricted replacement reserve	754,219	642,687
Tenant security deposits	75,775	77,610
	<hr/>	<hr/>
	829,994	720,297
	<hr/>	<hr/>

4 Capital assets

	2022		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	1,030,318	-	1,030,318
Building	6,174,422	6,174,422	-
Furniture and fixtures	50,799	50,799	-
	<hr/>	<hr/>	<hr/>
	7,255,539	6,225,221	1,030,318
	<hr/>	<hr/>	<hr/>
	2021		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	1,030,318	-	1,030,318
Building	6,174,422	6,174,422	-
Furniture and fixtures	50,799	50,799	-
	<hr/>	<hr/>	<hr/>
	7,255,539	6,225,221	1,030,318
	<hr/>	<hr/>	<hr/>

Horizon West Housing Society

Notes to Financial Statements

March 31, 2022

5 Long-term debt

	2022 \$	2021 \$
2.51% CMHC mortgage, repayable in equal monthly instalments of \$1,793, including interest. Mortgage matures in April 2024. Amortization period remaining is four years.	43,594	63,794
2.51% CMHC mortgage, repayable in equal monthly instalments of \$3,774, including interest. Mortgage matures in April 2024. Amortization period remaining is four years.	91,756	134,271
	<hr/>	<hr/>
	135,350	198,065
Less: Current portion	64,139	62,551
	<hr/>	<hr/>
	71,211	135,514
	<hr/>	<hr/>

The land and buildings are pledged as collateral for all mortgages and have a carrying value of \$1,030,318 (2021 – \$1,030,318).

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

	\$
2023	64,139
2024	65,767
2025	5,444
	<hr/>
	135,350
	<hr/>

6 Deferred contributions

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

	2022 \$	2021 \$
Balance – Beginning of year	-	54,000
Contributions received in the year	-	-
Contributions recognized in the year	-	(54,000)
	<hr/>	<hr/>
Balance – End of year	-	-
	<hr/>	<hr/>

Horizon West Housing Society

Notes to Financial Statements

March 31, 2022

7 Related party transactions

The Society and Horizon Housing Society (HHS) have the same Board of Directors and are under common management. HHS is a registered charity incorporated under the Society's Act of Alberta and is exempt from income taxes under Section 149(1) (f) of the Income Tax Act of Canada. HHS 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.

HHS has not been consolidated in the Society's financial statements. The following is condensed financial information included in the financial statements of HHS as at March 31, 2022. These statements were prepared using the same accounting policies as the Society.

	2022 \$	2021 \$
Financial position		
Total assets	118,474,253	105,347,329
Total liabilities	37,214,988	33,060,165
Total fund balances	81,259,265	72,287,164
	<u>118,474,253</u>	<u>105,347,329</u>
Results of operations		
Revenue	17,716,253	22,817,209
Expenditures	8,744,152	7,810,005
Excess of revenue over expenditures	<u>8,972,101</u>	<u>15,007,204</u>
Cash flows		
Cash flows from operating activities	2,531,140	3,676,349
Cash flows utilized in investing activities	(20,534,259)	(25,823,772)
Cash flows from financing activities	13,668,389	23,302,091
Increase (decrease) in cash during the year	<u>(4,334,730)</u>	<u>1,154,668</u>

During the year ended March 31, 2022, the Society was allocated \$ 352,611 (2021 – \$404,300) by HHS for office and administration and salaries and benefits expenses.

	2022 \$	2021 \$
Salaries and benefits expense	-	-
Office and administration expense	-	-
Overhead allocation to Horizon West	352,611	404,300

The balances due to HHS are non-interest bearing, unsecured and have no set terms of repayment.

Horizon West Housing Society

Notes to Financial Statements

March 31, 2022

8 Goods and services tax

The Society is designated as a municipality pursuant to subsection 259(1) of the Excise Tax Act, entitling it to a rebate of 100% of goods and services tax (GST) paid on property and services used to supply residential units on rent-geared-to-income basis. GST is accounted for in accordance with the guidelines issued by CMHC, so the GST paid (the refundable portion) is recorded in the GST recoverable account and is included in the subsidy and miscellaneous receivable balance for financial statement purposes.

9 Financial instruments

The Society holds various forms of financial instruments as disclosed in note 2. The nature of these instruments and its operations expose the Society to risks as follows.

Interest rate risk

The Society is exposed to interest rate risk at the renewal of its fixed rate borrowings. At March 31, 2022, the Society had fixed interest rates on its long-term obligations at effective rates of 2.51% (2021 – 2.51%).

Credit risk

Credit risk is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation. The Society does not consider that it is exposed to undue credit risk.

Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they become due. The Society's approach to managing liquidity risk is to ensure that it receives sufficient revenues to meet debt obligations.

10 Internally restricted fund balances

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:

	2022 \$	2021 \$
Balance – Beginning of the year	435,660	324,524
Additions	150,000	150,000
Interest	4,451	4,145
Capital expenditures and repairs and maintenance	(45,165)	(43,009)
	<hr/>	<hr/>
Balance – End of year	544,946	435,660

Horizon West Housing Society

Notes to Financial Statements

March 31, 2022

11 Subsidy and grant schedule

	2022 \$	2021 \$
Subsidy and grant revenue		
Private landlord rent supplement (PLRS)	563,859	560,734
Capital grants	-	-
Other grants and subsidies	-	54,000
	<hr/> 563,859	<hr/> 614,734

12 Government remittances

Government remittances consist of sales taxes and 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, 2022, \$ nil (2021 – \$nil) is included within accounts payable and accrued liabilities.

13 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 the Society.

Management has assessed the financial impact of COVID-19 at March 31, 2022, including its impact on revenues and expenses. The current economic challenges have not resulted in any material impacts for Society.

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

