

Horizon Housing Society

Financial Statements

March 31, 2023



Independent auditor's report

To the Directors of Horizon Housing Society

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Horizon Housing Society (the Organization) as at March 31, 2023 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, 2023;
- 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 opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Comparative information

The comparative information as at, and for the year ended, March 31, 2022 has not been audited.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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
September 28, 2023

Horizon Housing Society

Statement of Financial Position

For the year ended March 31, 2023

	2023 \$	Unaudited 2022 \$ (Combined- note 3)
Assets		
Current		
Cash	12,483,006	8,219,710
Restricted cash (note 4)	1,423,555	1,341,930
Short-term investment	8,804,411	5,816,015
Subsidy and miscellaneous receivables	451,833	567,728
Prepaid expenses	988,437	560,139
Due from Horizon West (note 10)	-	-
	<u>24,151,242</u>	<u>16,505,522</u>
Intangible asset (note 7)	7,633	10,039
Capital assets (note 6)	<u>134,533,327</u>	<u>136,196,653</u>
	<u>158,692,202</u>	<u>152,712,214</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	3,101,599	2,449,109
Holdback payable	-	1,039,545
Unearned revenue	103,901	115,728
Security deposits payable	718,038	610,955
Due to Horizon West (Note 10)	684,070	1,088,314
Long-term debt (note 8)	1,287,936	3,402,296
	<u>5,895,544</u>	<u>8,705,947</u>
Long-term debt (note 8)	58,524,120	48,091,761
Deferred contributions (note 9)	<u>344,111</u>	<u>424,396</u>
	<u>64,763,775</u>	<u>57,222,104</u>
Fund balances		
Unrestricted	(305,533)	(1,262,301)
Invested in capital assets	76,743,792	83,506,815
Internally restricted (note 13)	14,079,825	9,927,746
Externally restricted (note 14)	3,410,342	3,317,851
	<u>93,928,427</u>	<u>95,490,110</u>
	<u>158,692,202</u>	<u>152,712,214</u>

Commitments (note 18)

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 2023

	General Fund \$	Capital Fund \$	Acquisition & Development Fund \$	2023 \$	Unaudited 2022 \$ (Combined- note 3)
Revenue					
Rental	11,416,990	-	-	11,416,990	9,348,646
Subsidy and government grants (note 15)	699,406	-	-	699,406	5,583,110
Grants, donations and fundraising	264,259	-	327,835	592,094	6,341,443
Forgiveness of debt	6,803	3,557	-	10,360	15,337
Other	1,179,164	-	1,291,185	2,470,349	1,049,401
Interest	409,019	-	189,417	598,436	93,501
				15,787,635	22,431,438
Interest expense funded by CMHC	35,803	-	-	35,803	35,803
	14,011,444	3,557	1,808,437	15,823,438	22,467,241
Expenditures					
Amortization	602	5,499,018	-	5,499,620	4,550,304
Bad debts	44,803	-	-	44,803	89,963
Insurance	461,819	-	-	461,819	227,874
Interest on long-term debt	940,694	-	-	940,694	789,178
Office and administration	1,515,494	-	6,314	1,521,808	1,031,756
Property taxes	93,903	-	-	93,903	53,594
Repairs and replacements	2,908,621	-	-	2,908,621	1,674,316
Salaries and employee benefits	3,697,716	-	-	3,697,716	3,177,433
Utilities	2,714,414	-	-	2,714,414	2,281,672
Overhead allocation to Horizon West	(498,277)	-	-	(498,277)	(352,611)
	11,879,789	5,499,018	6,314	17,385,121	13,523,479
Excess of revenue over expenditures	2,131,655	(5,495,461)	1,802,123	(1,561,683)	8,943,762
Fund balances – Beginning of year	3,361,250	83,506,814	8,622,046	95,490,110	86,546,348
Interfund transfer – fixed asset additions	(3,972)	3,491,106	(3,487,134)	-	-
Interfund transfer – repayment of long-term debt	(887,602)	887,602	-	-	-
Interfund transfer – internally restricted transfer	-	-	-	-	-
Interfund transfer – RHI grant	-	-	-	-	-
Interfund transfer – long-term debt	-	(5,701,445)	5,701,445	-	-
Fund balances – End of year	4,601,331	76,688,615	12,638,480	93,928,427	95,490,110

Horizon Housing Society

Statement of Cash Flows

For the year ended March 31, 2023

	2023 \$	Unaudited 2022 \$ (Combined- note 3)
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	(1,561,683)	8,943,762
Items not affecting cash		
Amortization of intangible assets	2,406	2,407
Amortization of capital assets	5,499,620	4,550,304
	<u>3,940,343</u>	<u>13,496,473</u>
Changes in non-cash operating items		
Subsidy and miscellaneous receivables	115,895	807,981
Prepaid expenses	(428,298)	(136,266)
Due to (from) Horizon West	(404,244)	1,310,446
Accounts payable and accrued liabilities	652,491	(367,508)
Additions to deferred contributions (note 9)	(80,285)	(210,964)
Unearned revenue	(11,827)	35,025
Security deposits payable	107,083	221,258
Capital contributions received in Acquisition & Development Fund	-	(6,025,955)
	<u>3,891,158</u>	<u>9,130,489</u>
Financing activities		
Proceeds from development loans and construction financing	11,817,999	23,132,129
Repayment of debt	(3,500,000)	(4,254,142)
Contributions restricted for capital assets	-	6,025,955
	<u>8,317,999</u>	<u>24,903,942</u>
Investing activities		
Purchase of investments	(3,988,396)	(5,163,011)
Redemption of matured investments	1,000,000	-
Purchase of capital assets	(3,836,295)	(33,390,183)
Changes in accounts payable and accrued liabilities related to the construction of capital assets		
Changes in holdback payable	(1,039,545)	568,127
Additions to restricted cash	(81,625)	(333,926)
	<u>(7,945,861)</u>	<u>(38,318,993)</u>
Increase (decrease) in cash during the year	4,263,296	(4,284,562)
Cash – Beginning of year	<u>8,219,710</u>	<u>12,504,272</u>
Cash – End of year	<u>12,483,006</u>	<u>8,219,710</u>

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

Horizon Housing Society

Notes to Financial Statements

March 31, 2023

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 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).

Horizon Housing Society

Notes to Financial Statements

March 31, 2023

2 Significant accounting policies (continued)

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 2023 is \$ nil (2022 – \$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, 2023

2 Significant accounting policies (continued)

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 envelope	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 4).

Horizon Housing Society

Notes to Financial Statements

March 31, 2023

2 Significant accounting policies (continued)

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 Combination

On November 15, 2022, Horizon Housing Society (“Horizon”) and Forward Housing Association (“Forward”) entered into an agreement to combine their operations. The combination has been accounted for as a merger in accordance with Section 4449, *Combinations by Not-for-Profit Organizations* of Canadian Accounting Standards for Not-for-Profit Organizations.

Both Horizon and Forward are not-for-profit organizations whose primary purpose is to provide affordable housing for vulnerable people living on low incomes in Calgary. The primary reason for the combination was to consolidate and streamline the operations and increase capability to provide affordable housing in Calgary.

The results for the year ended March 31, 2023 are those of the amalgamated entities as if they have always been combined. The prior year comparative figures show the aggregated results of the two entities when they were operating independently. The aggregated results include adjustments made to the comparative balances of both organizations to align the prior year accounting policies with those of the Society.

As a result of the merger, an adjustment was made to the financial position and results of operations of Forward to align its accounting policies with those of Horizon with respect to fund accounting and the depreciation methods for the two buildings Forward owned at the time of combination.

In previous periods, Forward used the deferred method of accounting for restricted contributions, recognizing the contributions as revenue in the year in which the related expenses were incurred. Deferred capital contributions for the purchase or construction of capital assets was amortized and recorded as revenue in the statement of operations in accordance with the useful lives of the corresponding assets capitalized in the statement of financial position. The impact of this adjustment was the recognition of an increase of revenue of \$nil (2022 - \$225,800) in the combined statement of operations and changes in net assets for the year ended March 31, 2023, and an increase in revenue and changes in net assets of \$nil (2022 - \$225,800) in the combined statement of financial position as at March 31, 2023.

Horizon Housing Society

Notes to Financial Statements

March 31, 2023

3 Combination (continued)

In previous periods, Forward depreciated the buildings at 2-2.5% per year, using the straight line method. However, as a result of the requirement to align the accounting policies of the entities subject to the combination, Forward's depreciation for the buildings is now calculated by allocating the building major components and depreciating them as described in notes 1 and 6. The impact of this adjustment was the recognition of an increase of depreciation expense of \$nil (2022 - \$725,078) in the combined statement of operations and changes in net assets for the year ended March 31, 2023, and a decrease in fixed assets and net assets of \$nil (2022 - \$725,078) in the combined statement of financial position as at March 31, 2023.

4 Restricted cash

Restricted cash includes the following:

	2023 \$	Unaudited 2022 \$
Externally restricted replacement reserve	863,807	791,017
Tenant security deposits	538,398	529,353
	<u>1,402,205</u>	<u>1,320,370</u>

5 CMHC assistance and AS assistance

During the year, Horizon Housing obtained financial assistance from CMHC and ASCSS, 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 ASCSS with reference to formulae prescribed by the relevant funder. Subsidies payable at year-end include \$nil (2022 – \$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, 2023

6 Capital assets

	2023		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	28,581,285	-	28,581,285
Building	85,694,213	21,744,496	63,949,717
Building envelope	10,376,483	902,616	9,473,867
Building elevators and mechanical	20,799,713	1,995,250	18,804,463
Building doors and windows	3,528,127	609,921	2,918,206
Building finishes	12,772,465	3,360,298	9,412,167
Furniture and fixtures	3,195,746	1,939,254	1,256,492
Computer equipment	227,862	90,731	137,131
	165,175,894	30,642,567	134,533,327

	Unaudited		
			2022
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	28,542,285	-	28,542,285
Building	87,498,584	19,996,013	67,502,571
Building envelope	9,221,412	624,027	8,597,385
Building elevators and mechanical	19,135,263	1,427,528	17,707,735
Building doors and windows	2,868,760	225,402	2,643,358
Building finishes	11,338,445	2,087,232	9,251,213
Furniture and fixtures	3,367,439	1,415,333	1,952,106
Computer equipment	20,553	20,553	-
	161,992,741	25,796,088	136,196,653

Included in building are costs of \$1,032,635 (2022 – \$13,217,515) 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, 2023

7 Intangible asset

	2023			Unaudited 2022
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Property management software	24,065	16,432	7,633	10,039

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	2023 \$	Unaudited 2022 \$
Horizon 14	9.88%	CMHC	14,826	15 years 11 months	September 2028	907,662	1,007,850
Albert House	2.51%	CMHC	877	4 years 10 months	February 2028	48,694	57,823
Keith House	0.80%	CMHC	494	6 years 8 months	February 2025	38,549	43,881
Horizon on 8 th	1.59%	Peoples Trust	9,431	18 years 9 months	June 2026	1,750,035	1,834,747
Miner House	-	CMHA	-	-	-	40,000	40,000
Heritage Gardens	3.88%	TD	19,823	14 years 8 months	May 2022	2,536,606	2,678,764
Horizon View	2.06%	CMHC	50,532	27 years 5 months	December 2027	12,720,257	13,061,168
Triwood	2.035%	Peoples Trust	9,723	27 years 10 months	March 2031	2,486,151	2,551,730
Elan	3.10%	Coast Capital	22,213	38 years 2 months	June 2027	6,066,444	-
Pineridge	0.75%	CMHC	4,830	47 years 7 months	November 2030	15,025,000	11,691,788
Bishop's Manor	0.62%	CMHC	31,014	49 years 7 months	July 2030	15,976,586	16,000,000
Columbus Place	3.21%	RBC	9,974	30 years 9 month	January 2024	2,369,530	2,526,306
						59,965,514	51,494,057
Transaction and financing fees						(153,459)	-
Less: Current portion, net of transactions and financing fees						(1,287,935)	(3,402,296)
						<u>58,524,120</u>	<u>48,091,761</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%.

Horizon Housing Society

Notes to Financial Statements

March 31, 2023

8 Long-term liabilities (continued)

The following land and buildings have been pledged as collateral for the above loans and have a net book value of \$ 65,297,396 (2022 – \$65,012,146).

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

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

	\$
2024	1,287,935
2025	1,276,817
2026	1,459,939
Future years	<u>56,033,881</u>
	<u>60,058,572</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>2023</u>		<u>Unaudited 2022</u>
	<u>Original loan</u>	<u>Forgiven in current year</u>	<u>Unforgiven balance</u>
	\$	\$	\$
Horizon 14	283,093	6,803	13,597
Hamilton House	128,000	3,557 -	3,557
	<u>411,093</u>	<u>10,360</u>	<u>17,154</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, 2023

8 Long-term liabilities (continued)

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.

	2021	Unaudited 2022
	\$	\$
Beginning balance	424,396	617,812
Contributions received in the year	239,378	300,703
Contributions recognized in the year	<u>(319,663)</u>	<u>(494,119)</u>
Ending balance	<u>344,111</u>	<u>424,396</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 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 Housing Society

Notes to Financial Statements

March 31, 2023

10 Related party transactions (continued)

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, 2023. These financial statements were prepared using the same accounting policies as Horizon Housing.

	2023 \$	2022 \$
Financial position		
Total assets	3,693,481	3,424,421
Total liabilities	380,734	287,047
Total fund balances (net deficiency)	3,312,747	3,137,374
	<u>3,693,481</u>	<u>3,424,421</u>
Results of operations		
Revenue	1,481,816	1,482,639
Expenditures	(1,306,444)	(873,783)
Excess of revenue over expenditures	175,372	608,856
Cash flows		
Cash flows utilized in operating activities	744,195	(780,403)
Cash flows utilized in investing activities	(87,345)	(109,697)
Cash flows utilized in financing activities	(63,860)	(62,715)
Increase (decrease) in cash during the year	592,990	(952,815)

During the year ended March 31, 2023, Horizon West was allocated \$498,277 (2022 – \$352,611) 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:

	2023 \$	2022 \$
Salaries and benefits expense		-
Office and administration expense		-
Overhead allocation to Horizon West	498,277	352,611

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

Horizon Housing Society

Notes to Financial Statements

March 31, 2023

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.

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 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, 2023, Horizon Housing had fixed interest rates on its long-term obligations at effective rates of 0.80% to 9.88% (2022 – 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. 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, 2023

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:

	2023 \$	Unaudited 2022 \$
Balance – Beginning of the year	3,533,194	3,125,028
Internally restricted by the Board of Directors during the year	685,381	601,000
Transfer from externally restricted replacement reserve		
Capital expenditures	(549,735)	(192,834)
	<hr/>	<hr/>
Balance – End of year	3,668,840	3,533,194

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.

	2023 \$	Unaudited 2022 \$
Balance – Beginning of year	6,084,184	4,820,884
Internally restricted by the Board of Directors during the year	4,016,433	18,525,385
Utilized		(17,262,085)
	<hr/>	<hr/>
Balance – End of year	10,100,617	6,084,184

Horizon Housing Society

Notes to Financial Statements

March 31, 2023

13 Internally restricted fund balances (Continued)

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.

	2023 \$	Unaudited 2022 \$
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	14,079,825	9,927,746

14 Externally restricted fund balances

a) Replacement reserve

Externally restricted replacement reserve – under agreements with various funders 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. Withdrawals are applied to interest first and then principal.

Horizon Housing Society

Notes to Financial Statements

March 31, 2023

14 Externally restricted fund balances (continued)

	2023 \$	Unaudited 2022 \$
Balance – Beginning of the year	779,990	740,637
Additions during the year		
Horizon 14	80,000	80,000
Albert House	10,000	10,000
Keith House	2,000	2,000
Columbus Place	32,098	-
The Elan	11,017	-
Interest	2,464	-
Transfer to internally restricted replacement reserve	-	-
Capital expenditures and repairs and maintenance	(45,088)	(52,647)
	<hr/>	<hr/>
Balance – End of year	872,481	779,990

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:

	2023 \$	Unaudited 2022 \$
Balance – Beginning of year	2,537,861	2,565,138
Additions	-	3,274,125
Utilized	-	(3,301,402)
	<hr/>	<hr/>
Balance – End of year	2,537,861	2,537,861

15 Subsidy schedule

	2023 \$	Unaudited 2022 \$
Grant revenue	55,778	4,684,420
Subsidy revenue		
Private landlord rent supplement (PLRS)	494,446	491,252
Alberta Seniors and Housing	-	-
CMHC – Section 95 assistance	82,707	82,707
CMHC – rent supplement	66,475	71,182
Other rent subsidies	<hr/>	<hr/>
	699,406	5,329,561

Horizon Housing Society

Notes to Financial Statements

March 31, 2023

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

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, 2023, \$nil (2022 – \$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 building is to be paid to the City of Calgary for the period between 2023 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.

Horizon Housing Society

Notes to Financial Statements

March 31, 2023

18 Commitments (continued)

Administrative leases

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

	\$
2024	96,537
2025	80,448
2026	-
	<hr/>
	176,985
	<hr/>

19 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.