SILVERA
FOR SENIORS

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Independent auditor's report

To the Member of Silv*era* for Seniors

Opinion

We have audited the financial statements of **Silv*era* for** Seniors [the "Organization"], which comprise the statements of financial position as at December 31, 2020, and the changes in net assets, statements of operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Organization as at December 31, 2020 and its financial performance and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the 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.

Ernst & Young LLP

Calgary, Canada
March 26, 2021

Chartered Professional Accountants

SILVERA FOR SENIORS

Statements of Financial Position

As at December 31 (in thousands of dollars)	2020 $	2019 $
Assets		
Current		
Cash and cash equivalents	5,985	1,315
Accounts receivable (notes 3, 4 and 18)	7,439	2,666
Prepaid expenses and deposits (note 16)	991	496
Assets held for sale (note 4)	1,322	3,317
	15,737	7,794
Non-current		
Cash held in trust (note 5)	928	1,667
Restricted cash and term deposits (note 6)	15,503	7,462
Long-term receivable (note 4)	13,852	-
Capital assets (note 7)	77,469	48,853
	123,489	65,776
Liabilities		
Current		
Accounts payable and accrued liabilities	4,632	3,590
Deferred contributions (note 8)	778	3,692
Current portion of long-term debt (note 11)	9,391	962
Deferred capital contributions (note 9)	13,996	722
	28,797	8,966
Non-current		
Escalating lease obligations (note 16)	69	70
Trust liabilities (note 5)	900	1,660
Unamortized deferred capital contributions (note 10)	12,463	13,421
Long-term debt (note 11)	14,343	-
	56,572	24,117
Contingencies (note 17)		
Net assets		
Restricted (note 12)	24,042	5,003
Unrestricted	42,875	36,656
	66,917	41,659
	123,489	65,776

See accompanying notes to the financial statements

On behalf of the Board:

Signed "Rob Easson" Director
ROB EASSON

Signed "Doug Ng" Director
DOUG NG

Statements of Changes in Net Assets

Year ended December 31
(in thousands of dollars)

	Restricted $	Unrestricted $	2020 $	2019 $
Balance, beginning of year	5,003	36,656	41,659	41,787
Excess (deficiency) of revenue over expenses	23,887	(485)	23,402	(426)
Contributions for land	-	1,856	1,856	298
Board restrictions (note 12)	(4,848)	4,848	-	-
Balance, end of year	24,042	42,875	66,917	41,659

See accompanying notes to the financial statements

Statements of Operations

Year ended December 31 *(in thousands of dollars)*	2020 $	2019 $
Revenue		
Operating	15,611	15,957
Interest income	1,005	328
Amortization of deferred capital contributions (note 10)	1,140	1,113
Other (notes 8 and 9)	1,748	1,121
	19,504	18,519
Government funding		
City of Calgary (note 15)	6,990	5,673
Government of Alberta (note 15)	6,209	3,226
	13,199	8,899
	32,703	27,418
Expenses		
Operating (note 15)	9,331	7,445
Human resources (notes 14 and 15)	19,971	16,268
Administration	1,635	1,895
Long-term debt interest	36	23
Depreciation (note 7)	2,204	2,204
Other	11	9
	33,188	27,844
Excess of expenses over revenue, before undernoted item	(485)	(426)
Gain on sale of land (note 4)	23,887	-
Excess (deficiency) of revenue over expenses	23,402	(426)

See accompanying notes to financial statements

SILVERA FOR SENIORS

Statements of Cash Flows

Year ended December 31 *(in thousands of dollars)*	2020 $	2019 $
Operating Activities		
Excess (deficiency) of revenue over expenses	23,402	(426)
Non-cash adjustments to reconcile excess (deficiency) of revenue over expenses to operating cash flow:		
Amortization of deferred capital contributions (note 10)	(1,140)	(1,113)
Revenue transferred from deferred capital contributions (note 9)	(188)	(84)
Gain on sale of land (note 4)	(23,887)	-
Depreciation	2,204	2,204
Other	19	21
Net change in non-cash operating working capital (note 13)	2,275	2,989
Net cash provided by operating activities	2,685	3,591
Investing Activities		
Purchase of capital assets	(15,637)	(8,375)
Proceeds on the sale of assets	9,000	-
City of Calgary lifecycle projects (note 9)	1,989	833
Donations for the purchase of capital assets (note 9)	8,870	-
(Increase) decrease in restricted cash and term deposits	(8,040)	2,505
Net cash used in operating activities	(3,818)	(5,037)
Financing Activities		
Issuance of long-term debt (note 11)	6,244	-
Repayment of long-term debt (note 11)	(441)	(429)
Net cash provided by (used in) financing activities	5,803	(429)
Net increase (decrease) in cash during the year	4,670	(1,875)
Cash, beginning of year	1,315	3,190
Cash, end of year	5,985	1,315

See accompanying notes to financial statements

Schedule of Revenue and Expenses After Government Grants

Year ended December 31

(in thousands of dollars)

	Revenue excluding Government Grants	Expenses	Operating Surplus (deficit)	Provincial Grants	Surplus (deficit) after Provincial Grants	Municipal Grants	2020 Surplus (deficit) after Government Grants	2019 Surplus (deficit) after Government Grants
	$	$	$	$	$	$	$	$
Municipal Lodge Program								
Bow Valley Lodge	963	2,287	(1,324)	549	(775)	729	(46)	37
Confederation Park Lodge	881	2,483	(1,602)	528	(1,074)	1,030	(44)	38
Beaverdam Lodge	1,105	2,319	(1,214)	459	(755)	684	(71)	37
Shouldice Lodge	962	2,425	(1,463)	512	(951)	876	(75)	37
Shawnessy Lodge	1,388	2,830	(1,442)	683	(759)	707	(52)	41
Valleyview Lodge	763	2,447	(1,684)	517	(1,167)	1,122	(45)	36
Aspen Lodge	4,887	7,757	(2,870)	1,964	(906)	774	(132)	87
Spruce Lodge	2,352	4,429	(2,077)	997	(1,080)	1,010	(70)	50
	13,301	26,977	(13,676)	6,209	(7,467)	6,932	(535)	363
Silvera Mixed Affordable								
Willow Park on the Bow	2,602	2,372	230	-	230	29	259	328
Westview	1,011	2,624	(1,613)	-	(1,613)	29	(1,584)	(1,045)
Varsity Estates Village	429	76	353	-	353	-	353	-
	4,042	5,072	(1,030)	-	(1,030)	58	(972)	(717)
Administration	2,161	1,139	1,022	-	1,022	-	1,022	(63)
Gain (loss) on Sale of capital assets	23,887	-	23,887	-	23,887	-	23,887	(9)
	43,391	33,188	10,203	6,209	16,412	6,990	23,402	(426)

SILVERA FOR SENIORS

Schedule of Capital Assets and Related Unamortized Deferred Capital Contributions

As at December 31
(in thousands of dollars)

	2020								2019	
	Building & Building Systems	Building Fixtures, Fittings & Flooring	Equipment	Vehicles	Land	WIP	NBV	Unamortized Deferred Capital Contributions	NBV	Unamortized Deferred Capital Contributions
	$	$	$	$	$	$	$	$	$	$
Municipal Lodge Program										
Aspen Lodge	6,975	199	432	-	-	1,212	8,818	2,694	8,090	3,007
Beaverdam Lodge	-	28	15	-	-	259	302	14	56	16
Bow Valley Lodge	-	51	26	-	-	145	222	23	89	27
Confederation Park Lodge	-	23	49	-	-	-	72	13	74	16
Shouldice Lodge	-	31	42	-	-	57	130	-	87	-
Shawnessy Lodge	-	59	29	-	-	208	296	16	121	20
Spruce Lodge	4,286	212	192	-	-	1,147	5,837	1,040	5,223	1,036
Valleyview Lodge	10	24	29	-	-	30	93	9	62	10
	11,271	627	814	-	-	3,058	15,770	3,809	13,802	4,132
Silvera Mixed Affordable										
Willow Park on the Bow	19,449	139	176	-	-	20	19,784	8,523	20,572	9,109
Westview	2,610	33	177	-	2,861	9,667	15,348	26	5,635	28
Building 1000	-	-	-	-	1,049	-	1,049	-	-	-
Building 2000	-	-	-	-	2,214	-	2,214	-	-	-
Building 3000	-	-	-	-	1,380	3,771	5,151	-	-	-
Glamorgan lands	-	-	-	-	-	-	-	-	8,009	-
Bow Valley Lands	25	-	-	-	164	117	306	-	192	-
Varsity Estate Village	500	-	-	-	16,522	-	17,022	-	-	-
	22,584	172	353	-	24,190	13,574	60,874	8,549	34,408	9,137
Administration	-	131	173	73	-	445	825	105	643	152
Total 2020	33,855	930	1,340	73	24,190	17,078	77,469	12,463	48,853	13,421
Total 2019	34,822	1,766	940	89	3,738	7,498	48,853	13,421		

1. Nature of Operations

Silvera for Seniors ("Silvera" or the "Organization") was chartered in 1962 and operates under the Alberta Housing Act to provide, with assistance from community services, affordable housing for senior citizens who are functionally independent. The Organization is a Housing Management Body, pursuant to a Ministerial Order and is also a registered charity and therefore is not taxable under the Income Tax Act (Canada). The Organization operates with the financial support of the City of Calgary and the Government of Alberta.

The Organization operates 1,560 suites in three segments.

- Municipal lodges – Silvera operates 780 suites in eight supportive living lodges that are managed in accordance with the Ministerial Order with operating deficiencies and capital maintenance funded by the City of Calgary.
- Self-contained apartments – Silvera manages 499 self-contained units in sixteen buildings owned by the Government of Alberta established to provide affordable housing to low-income Alberta senior citizens who are the most in need. The self-contained units are managed in accordance with the Ministerial Order, for a fee which is determined on a cost reimbursement basis. The 2020 fee was $647 (2019 - $794) and is included in other revenue. At December 31, 2020, amounts receivable were $208 (2019 - $1,006). These are related party transactions in the normal course of operations, are recorded at the agreed upon exchange amount and have no fixed terms of repayment.
- Silvera Mixed Affordable – Silvera owns and operates 281 suites that are a mix of market townhouses (39 units), mid-market supportive living (92 suites) and seniors affordable housing apartments (150 units).

2. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Accounting Handbook, which sets out generally accepted accounting principles for not-for-profit organizations and includes the significant accounting policies set out below.

Revenue Recognition
The Organization follows the deferral method of accounting for contributions, which includes funding from the City of Calgary and the Government of Alberta, whereby contributions restricted for future expenses are deferred and recognized as revenue in the period that the related expenses are incurred. Contributions that are restricted for the purchase of depreciable capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired asset. Contributions for the purchase of land or capital assets not subject to depreciation are recorded as direct increases to net assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Operating revenue is recorded when the services are provided and collection is reasonably assured. Interest income is recognized on the basis of the passage of time when collectability is reasonably assured.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenses. Betterments which extend the estimated useful life or enhance the service potential of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value and the write down is recorded in the statement of operations.

Capital assets are depreciated on a straight-line basis over their estimated useful lives reflected in the following years:

Assets	Years
Buildings	40
Building systems	15
Building fixtures, fittings and flooring	10
Vehicles	10
Equipment	5

Contributed Materials and Services

The work of the Organization is dependent on the voluntary services of many organizations and individuals. Since these services are not normally purchased by the Organization and because of the difficulty of determining their fair value, these voluntary services are not recognized in these financial statements. Contributed materials that would otherwise be paid for by the Organization are recorded at fair value when received.

Cash and Cash Equivalents and Cash Held in Trust

Cash and cash held in trust includes cash on deposit. Cash equivalents consist of short-term investments with a maturity of approximately three months or less.

Restricted Cash and Term Deposits

Restricted cash and term deposits include cash on deposit and highly liquid investments with maturities of twelve months or less.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from such estimates by a material amount. The significant estimates are useful lives of the capital assets and provisions for contingencies.

Pension Plan

Contributions to a defined contribution pension plan and a multi-employer pension plan are expensed on an accrual basis. The multi-employer defined benefit pension plan is accounted for consistent with defined contribution plans since the Organization has insufficient information to apply defined benefit plan accounting.

(All amounts in thousands of dollars unless otherwise stated)

Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, long-term receivable, cash held in trust, restricted cash and term deposits, accounts payable and accrued liabilities, trust liabilities and long-term debt. The carrying value of financial assets and liabilities held at December 31, 2020, other than the long-term receivable and long-term debt, approximates their fair value due to the relatively short periods to maturity. The fair value of the long-term receivable and long-term debt is determined by discounting the future contractual cash flows under the current receivable or financing arrangement at discount rates which represent rates presently available to the Organization for a long-term receivable or long-term debt with a similar term and maturity.

The Organization initially records financial instruments at fair value when issued or acquired, except for a related party transaction which is recorded at the carrying or exchange amount depending on the circumstances. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

The Organization uses the effective interest rate method to amortize any premiums, discounts, transaction costs and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, restricted cash and term deposits, accounts receivable, long-term receivable, accounts payable and accrued liabilities and long-term debt.

For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

3. Accounts Receivable

	2020 $	2019 $
Government of Alberta	203	13
City of Calgary	885	728
Current portion of long-term receivable (note 4)	5,203	-
Horizon Housing	-	556
Canada Mortgage and Housing Corporation	313	-
Other	835	1,369
	7,439	2,666

(All amounts in thousands of dollars unless otherwise stated)

4. Assets Held for Sale

	2020 $	2019 $
Jacques Lodge Site	-	3,317
Glamorgan Site	1,322	-
	1,322	3,317

During 2019, the Organization determined that the Jacques Lodge Site would not be developed as part of the Organization's future development plans and would be sold. In 2020, the site was sold for total proceeds of $30.0 million with Silvera providing an interest-free Vendor Take Back ("VTB") mortgage to the purchaser. The present value of the future payments has been discounted using an effective interest rate of 4.1%. The discounted value of the VTB mortgage receivable was as follows:

	2020 $	2019 $
Current portion of long-term receivable	5,203	-
Long-term receivable	13,852	-
	19,055	-

During 2020, the Organization received $9,000 against the VTB mortgage with the remaining payments to be received on December 31 in each year as follows:

	Amount $
2021	6,000
2022	6,000
2023	6,000
2024	3,000
	21,000

As the sale was not encumbered with any future conditions, the fully discounted value of the gain of $23,887 was recorded upon closing.

Subsequent to December 31, 2020, the Organization sold undeveloped land that was not part of the Organizations plans for future development of the Glamorgan Site. Proceeds from the sale were $5,584 before closing costs.

(All amounts in thousands of dollars unless otherwise stated)

5. Cash Held in Trust

	2020 $	2019 $
Government of Alberta self-contained apartments	707	1,434
Resident security deposits	221	233
	928	1,667

Cash held in trust relates to resident security deposits and operating cash for Government of Alberta self-contained apartments. These amounts are classified as a long-term asset due to the ongoing nature of the relationships.

6. Restricted Cash and Term Deposits

	2020 $	2019 $
Cash	1,649	-
Term deposits	13,854	7,462
	15,503	7,462

The Organization has restricted certain cash and term deposits held for the purposes of maintaining replacement reserves to ensure that the Organization-owned properties are properly maintained; operating reserves to enable the Organization to mitigate operational risk; and capital development reserves to meet long-term housing needs that are compatible with its mandate (note 12).

SILVERA FOR SENIORS

Notes to the Financial Statements
As at and for the year ended December 31, 2020
(All amounts in thousands of dollars unless otherwise stated)

7. Capital Assets

	Land $	Buildings and building systems $	Building fixtures, fittings and flooring $	Equipment $	Vehicles $	Work in Progress $	Total $
Cost							
As at Dec 31, 2019	3,738	57,509	4,399	3,197	388	7,498	76,729
Asset reclass	-	147	(1,128)	981	-	-	-
Additions	21,774	682	4	133	-	9,580	32,173
Disposals	(1,322)	(37)	(60)	(655)	(95)	-	(2,169)
As at Dec 31, 2020	24,190	58,301	3,215	3,656	293	17,078	106,733
Accumulated depreciation							
As at Dec 31, 2019	-	22,687	2,633	2,257	299	-	27,876
Asset reclass	-	155	(507)	352	-	-	-
Depreciation	-	1,622	214	352	16	-	2,204
Disposals	-	(18)	(55)	(648)	(95)	-	(816)
As at Dec 31, 2020	-	24,446	2,285	2,313	220	-	29,264
Net book value	24,190	33,855	930	1,343	73	17,078	77,469
Cost							
As at Dec 31, 2018	6,922	57,434	4,465	2,841	400	576	72,638
Asset reclass	-	(11)	-	11	-	-	-
Additions	133	269	140	431	-	6,922	7,895
Disposals	(3,317)	(183)	(206)	(86)	(12)	-	(3,804)
As at Dec 31, 2019	3,738	57,509	4,399	3,197	388	7,498	76,729
Accumulated depreciation							
As at Dec 31, 2018	-	21,214	2,533	2,110	288	-	26,145
Asset reclass	-	-	-	-	-	-	-
Depreciation	-	1,645	306	233	20	-	2,204
Disposals	-	(172)	(206)	(86)	(9)	-	(473)
As at Dec 31, 2019	-	22,687	2,633	2,257	299	-	27,876
Net book value	3,738	34,822	1,766	940	89	7,498	48,853

On November 1, 2020 the Organization entered into an agreement to purchase a condominium townhouse complex and the associated land in Varsity Estates Village, for a total purchase price of $17,025.

Work in progress is comprised primarily of the capital development costs for the Glamorgan Campus including the Westview Renovation and are not subject to amortization as the assets are not yet available for use.

8. Deferred Contributions

Deferred contributions relate to amounts received, or receivable, that will fund specific future operating activities. When the specified operating activity is completed, the deferred amounts are recognized as revenue to offset the related expense. If the contributions are to be used for the specified capital asset project, the amounts are transferred to deferred capital contributions (see note 9).

(All amounts in thousands of dollars unless otherwise stated)

Changes in deferred contributions are as follows:

	2020 $	2019 $
Beginning of year	3,692	1,903
Additions	1,128	1,954
Transferred to revenue	(689)	(165)
Deferred capital contributions (note 9)	(1,588)	-
Net assets – Glamorgan projects	(1,766)	-
	778	3,692

9. Deferred Capital Contributions

Deferred capital contributions relate to amounts received, or receivable, that will fund specific future capital projects. When the specified capital project is completed, the deferred amounts are transferred to unamortized deferred capital contributions and amortized over the useful life of the related asset. Changes in deferred capital contributions are as follows:

	2020 $	2019 $
Beginning of year	722	47
Donation for capital purchases	8,870	-
City lifecycle grants for projects in progress	2,874	1,094
CMHC grants (note 3)	313	-
Transferred from deferred revenue contributions (note 8)	1,588	-
Transferred to revenue	(188)	(84)
Transferred to unamortized deferred capital contributions (note 10)	(183)	(335)
	13,996	722

10. Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions relate to amounts received for the purchase of capital assets which are currently in use. Changes in unamortized deferred capital contributions are as follows:

	2020 $	2019 $
Beginning of year	13,421	14,199
Transferred from deferred capital contributions (note 9)	183	335
Recognized to amortize capital assets	(1,140)	(1,113)
	12,463	13,421

(All amounts in thousands of dollars unless otherwise stated)

11. Long-term Debt

	2020 $	2019 $
Non-revolving term credit facility	6,244	-
Varsity Promissory Note	16,969	-
Westview mortgage	521	962
	23,734	962
Less current portion	9,391	962
	14,343	-

In 2019, the Organization secured a non-revolving term credit facility with a major Canadian Chartered Bank for the Westview renovation project construction costs. The facility can be drawn upon up to $8,264 and incurs interest at the Canadian Chartered Bank's prime plus 1.3% per annum. Security for this facility includes cash collateral in the form of a $2,000 guaranteed investment certificate, a general security agreement, a second fixed charge on the project lands, an undertaking to cover all shortfalls in profits of the property including debt servicing charges. The facility matures on the earlier of being refinanced once certain conditions are met upon the completion of the Westview renovation, or March 31, 2023.

As part of the purchase of the condominium townhouse complex in Varsity Estates village (note 7) the Organization and the vendor agreed to a take back Promissory Note for $16,969. The Promissory Note is secured by a fixed security over the townhouses and land. The interest rate initially accrued on the principal at 0.875% per annum until January 15, 2021 and then increased to 1.75% per annum. The interest rate then increases at 1.25% per annum every six months until the maturity date of the Promissory Note on November 1, 2023. Subsequent to December 31, 2020, the Organization repaid $8,870 of the principal amount of the Promissory Note.

In April 2015, the Organization entered into a five-year 1.95% mortgage repayable in monthly principal and interest instalments of $37. The mortgage was secured by a first charge over the Westview land and building, a general assignment of rents and revenues from the property and a general security agreement comprising a first security interest on the property. On May 1, 2020 the mortgage was extended to mature on May 1, 2022 at an interest rate of 1.88% repayable in monthly interest and principal payments of $38.

During 2020, the Organization entered into a $4.5 million revolving credit facility with a major Canadian Chartered Bank. The credit facility has $nil drawn at December 31, 2020. The credit facility matures on July 8, 2022, is renewable at the lender's consent and is secured by a general security agreement over the assets of the Organization as well as assignment of the VTB mortgage receivable (note 4) in the event of default. To the extent the credit facility is not renewed the balance would be due one year from the maturity date.

The Organization has letters of credit of $595 (2019 - $595) outstanding that are fully cash collateralized at December 31, 2020.

(All amounts in thousands of dollars unless otherwise stated)

12. Restricted Net Assets

The Board of Directors may, at its discretion, restrict any excess revenue over expenses to support the future requirements of the Organization. Restricted funds are not available for unrestricted purposes without prior approval of the Board of Directors. Restricted amounts are designated as follows:

	2020 $	2019 $
Operating		
Municipal lodge program	594	859
General	309	1,030
Innovation	333	-
Westview	61	-
	1,297	1,889
Capital development		
Glamorgan Campus	22,159	629
Jacques land	-	254
	22,159	883
Capital maintenance		
Municipal lodge program	-	1,322
Varsity Estate Village	301	-
Westview	119	544
Willow Park on the Bow	166	366
	586	2,232
Restricted net assets	24,042	5,003

13. Net Change in Non-cash Operating Working Capital

	2020 $	2019 $
Decrease (Increase) in accounts receivable	422	(1,482)
Increase in prepaid expenses	(495)	(192)
Increase in accounts payable and accrued liabilities	1,493	2,316
Increase in deferred contributions	843	2,347
Net decrease in cash held in trust and trust liabilities	12	-
	2,275	2,989

14. Pension Plans

The pension obligations of all qualifying permanent, full-time employees are covered though participation in the Local Authorities Pension Plan (“LAPP”) which is administered by the Alberta Pensions Services Corporation. The plan is a multi-employer plan offered to various unrelated employers throughout Alberta. The responsibility for strategic direction and plan asset management is held by the LAPP Board of Directors, composed of management and labour representatives. LAPP provides a defined benefit pension based on the employee’s earnings and length of service.

(All amounts in thousands of dollars unless otherwise stated)

The most recent valuation for financial reporting purposes completed by the LAPP as at December 31, 2019 disclosed net assets available for benefits of $50.5 billion (2018 - $44.5 billion) with pension obligations of $43 billion (2018 - $41 billion) resulting in a surplus of $7.9 billion (2018 - $3.5 billion).

The Organization makes contributions to the plan based on a percentage of employee income which is set by the LAPP Board of Directors. Total pension expense for employees covered under this plan during the year was $406 (2019 - $406) and is included as an expense in human resources in the statement of operations.

The Organization sponsors a defined contribution pension plan that covers most part-time and all full-time employees not eligible to participate in LAPP. Total pension expense, for employees, covered under this plan during the year was $209 (2019 - $167) and is included as an expense in human resources in the statement of operations.

15. Economic impact of COVID-19 pandemic

The declaration of the COVID-19 global pandemic in March 2020 has disrupted economic activities and resulted in increased levels of risk and uncertainty. This has impacted the Organization's business operations through reduced occupancy and an increase in staffing costs as well as general operating costs as required to meet the requirements of the legislated orders from the Alberta Chief Medical Officer of Health.

Although temporary, the duration of the business disruption and its financial impacts cannot be reasonably estimated at this time. Management is monitoring the situation and adjusting the business operations as required.

The Organization has accessed the City of Calgary Emergency Resiliency Fund along with funding and contributions from the Government of Alberta to offset some of the impact of the increased cost of business activity. The Government of Alberta contributed personal protective equipment for use by the staff working in the Municipal lodge program. This non-cash amount is recognized as Government of Alberta contributions in the table below.

A summary of the COVID-19 pandemic funding and expenses is as follows by statement of operations categories:

	Amount $
Revenue - Other	82
Government Funding	
Government of Alberta	2,246
Government of Alberta contributions	844
City of Calgary	434
	3,524
Expenses	
Operating	1,613
Human Resources	2,267
	3,880
Excess of expenses over revenue	(356)
Capital equipment expenditures	156

(All amounts in thousands of dollars unless otherwise stated)

16. Commitments

The Organization rents office space under an operating lease which expires November 30, 2024. The future annual rent payments pursuant to the lease are as follows:

	Amount $
2021	156
2022	156
2023	156
2024	143

The operating lease has escalating payments over its term. As such, an escalating lease obligation of $69 (2019 - $70) has been recognized on the statement of financial position.

The Organization has entered into an agreement to purchase a suites hotel with the plan to convert it to a senior's self-contained apartment building. As part of the agreement the Organization was required to provide a $500 deposit which is refundable if certain conditions are not met and has been recorded as a prepaid deposit at December 31, 2020. If the conditions are met and the Organization is not able to obtain sufficient financing to fulfill the purchase price prior to January 2022, the deposit is forfeited.

In March 2021 the Organization entered into a funding agreement with the City of Calgary under the Government of Canada's Rapid Housing Initiative to provide affordable housing to the most vulnerable Canadians. Under the agreement the City of Calgary will contribute up to $15.5 million for the purpose of purchasing and converting the suites hotel into a senior's self-contained apartment building. The agreement requires the Organization to complete the conversion and permit occupancy prior to December 31, 2021. The Organization will receive the unencumbered title for the property upon the agreement's expiry on March 31, 2024. During the term of the agreement the Organization is required to maintain certain operating and reporting requirements and the property is to be used for the purpose of providing affordable housing for people and populations who are vulnerable and meet the affordability criteria defined in the agreement.

17. Contingencies

As part of the normal course of business, the Organization is involved in various claims and litigation. The Organization has determined that the outcome of any claims and litigation is unlikely to result in a material loss and accordingly no provisions have been recorded in the December 31, 2020 financial statements.

18. Risks and Uncertainties

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk principally associated with borrowings. Fixed rates, associated with long-term debt payable, introduce risk at the time of maturity.

Credit Risk
The Organization is exposed to credit risk, which is the risk that a counterparty will fail to perform an obligation or settle a liability, resulting in a financial loss to the Organization. Credit risk is assessed as low for the Organization.

The Organization's accounts receivable are primarily due from governments and are subject to normal credit risks.

The maximum credit risk exposure associated with the Organization's financial assets is the carrying amount of accounts receivable.

Liquidity Risk
The Organization is exposed to liquidity risk which is the risk that the Organization will be unable to generate or obtain sufficient cash to meet its obligations as they come due. Mitigation of this risk is achieved through active management of cash and debt. The liquidity risk is assessed as low for the Organization. Accounts payable and accrued liabilities are due within the next fiscal year.

19. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.