YARROW ECOVILLAGE

Financing the Future

INTRODUCTION

> *We recognized that the traditional rural village has largely been eclipsed in North America by the march to urbanization. We knew that living in an EcoVillage offered an alternative—attempting to recapture what is special about the village way of life. But a village is not just buildings; rather, it's an intricate fabric of relationships among EcoVillage members and between EcoVillagers and their neighbors.*
>
> Michael Hale

Yarrow is a small unassuming town, set amidst the picturesque Fraser Valley. Just 18 km east of downtown Chilliwack, Yarrow sits at the base of Vedder Mountain and is supported by land that is ideal for growing many varieties of fruits, vegetables and herbs. When you walk down Yarrow Central Road, one of the only roads in the town, it feels as though you have stepped back in time – to a time when life was simple and you knew all your neighbours. One might call Yarrow idyllic.

It was this charm that caught the attention of the four founding members of Yarrow EcoVillage Society Co-op (herein known as "YES"). In August of 2002, they purchased 25 acres of land (see Site Plan) with a mortgage from their local credit union, Envision Financial. The land included five acres of residential zoning and 20 acres of land within the Agricultural Land Reserve. This land would serve as the foundation for a sustainable future for YES members.

YES defines itself as a community with values deeply rooted in collaboration, for the enrichment of the people and environment. YES is a community that enables its members to live, work and play together. "A community living and working in harmony with neighbours and nature"

When talks were initiated in 2002, YES members felt it was imperative that they be seen as normal and active members of the larger Yarrow community. Collaborating with community members, YES developed a "co-design" process that would be inclusive of Yarrow's needs and suggestions. They did not want to be stereotyped as "hippies" or associated with any cult or religious ideology. YES stressed that they were community members first and EcoVillage pioneers second. Their approach to gaining community buy-in included three steps:

1. EcoVillage members should brainstorm about wants vs. needs for the land.
2. Collaborate with Chilliwack City officials, seeking their advice for what best suited the community.
3. Hold public meetings with Yarrow residents in order to answer questions and get their input and suggestions.

What followed in 2004 was a pivotal moment in YES development. After four rounds of the co-design process, the City Council unanimously approved their request for re-zoning. The first approved re-zoning created a commercial and residential zone on a small portion of the property. This would allow for a mix of retail businesses on the ground floor and residential apartments on the second floor.

The second approved re-zoning allowed for five acres of the property which had previously been zoned "rural residential" to be rezoned as an "EcoVillage zone". This increased the land's maximum density from 5 to 40 residences. It was the first rezoning of this kind in Canada. The density increase alone increased the property value by five times the initial purchase price.

In 2003, members of YES established an organic farm, in the hopes that it would provide for them not only basic sustenance, but also means for financial independence. The entrepreneurial spirit of YES members carried over into the purchase of a successful neighbourhood business adjacent to their land, the Yarrow Deli, in October of 2006. The deli is managed by three investor-members and uses local products as much as possible, including produce from the YES farm.

In addition to building community and providing sustainable economic opportunities, the EcoVillage is of course highly ecologically sensitive. All buildings will be constructed using green building principles. The buildings in the first phase use sustainable timber from a BC Community Forest, Harrop Procter Community Forest Co-operative. The EcoVillage also helps to strengthen the long-term viability of the land in BC's Agricultural Land Reserve, bringing a community of farmers together to share the workload, and putting the land into the hands of owners who are committed to sustainable local food production.

The land was now representative of YES' greater vision– a multi-faceted community that fosters the three pillars of sustainability:

- Social – common areas, accessibility, learning opportunities, elder care, etc.
- Environmental – conservation, green building, zero waste, water reclamation, etc.
- Economic – organic farming, deli, community economic development, local trade, etc.

> *Some visionaries may wonder why we got so deeply engaged in the realities of local zoning and finance. Yet EcoVillage founders must become so engaged, as land use, engineering standards, and financing methods are tightly regulated and controlled in most western countries. And by actively seeking support from city planners, townspeople, professionals in the community, and the local credit union, we have given our own meaning to the term "land developers."*
>
> Michael Hale

CO-OPERATIVE STRUCTURE

YES benefits from the co-op structure in two major ways. First, the co-op is supported by a group of people who are committed and willing to maintain and live in the EcoVillage. This demonstrates the existence of a dynamic market – something that lenders and/or investors analyze during their due diligence process. Second, they can use member equity to capitalize the organization, aligning ownership and organizational return. This is much more beneficial to the co-op than getting capital from a traditional investor who would typically require significant financial returns, potentially at the expense of social and environmental returns.

Membership in YES provides a number of long-term benefits. YES enables members to participate in a community-oriented, environmentally conscious way of life. It is a far cry from buying into a new condo development: members are integrated into every aspect of planning and decision-making. In the future, it will allow the members to develop and operate businesses onsite, using the live/work space.

Members of the coop have full decision-making rights and responsibilities. To become a member, one must purchase a membership share in YES, which is priced at $1,000. Those who are not yet in a position to make that level of financial commitment may join as associates. Associates may participate in all meetings and committees. The fee for associates is $200, which can be deducted from the full membership fee at a later date, should they decide to take on member status. Both members and associates contribute $20 per month to a maximum of $300, and may purchase investment shares in increments of $100. These investment shares earn a return for the members, and are the primary means of building equity in the project. Members and associates may also earn sweat equity credits towards a future home or business within the YES community.

Members come from all walks of life and vary in age from 20 to eighty something. Some consider YES a place to grow old and have retired on the land. Current and previous occupations of members include teachers, engineers, civil servants, social service workers, businesspersons, and builders. This broad range of experience has been a welcome addition to YES and supply the members with a strong knowledge base. This range also creates interesting dynamics when it comes time for decision-making. Governance is "non-hierarchical" and decisions are made by consensus. Members have a responsibility to participate and guidelines and expectations are made clear. The collaborative style of management can sometimes be confusing, as there is no one single boss. It is necessary for members to create clear accountabilities. Luckily for YES, members were willing to participate in workshops and extensive group discussions to develop vision and principles on which the YES community would be based.

VISION

It is important for an eco-village to establish a common set of values and a common vision, even when the group has long been acquainted and shares a passion for an alternative path towards a sustainable future.

The YES vision is built on 5 principles, which guide members in the development and organization of the community:

HUMAN SCALE: The community's size and design will enable members to know one another and to feel that they are able to influence the community's direction.

SUPPORT HEALTHY HUMAN DEVELOPMENT: The community will support all aspects of healthy human life: physical, emotional, mental, spiritual.

MULTI-FACETED: All the major functions of living will be present in the community in balanced proportions: residence, food provision, economic activities, social, cultural and leisure opportunities.

HARMLESSLY INTEGRATED IN NATURE: The community will be responsible for stewardship of the land, minimizing its ecological footprint and carrying out activities that restore and preserve the natural environment.

SUSTAINABLE: The community will strive to satisfy the needs of its residents without jeopardizing the prospects of other people or future generations. It will be economically, ecologically and socially sustainable.

"As we got into this, we realized that to become as the definition states, "harmlessly integrated into the natural world", we were committing ourselves to a life long process of learning and development." *Michael Hale*

YES feels that it is important to partner with people and organizations that understand and share its vision. Envision Financial was a local credit union with a branch in Yarrow, who provided the first mortgage on the land. While Envision maintained its support for the YES vision, it declined YES' application for construction financing. After further consideration and talks with representatives, YES approached Vancity Capital, for construction financing. The commonalities between YES and Vancity are numerous. As a co-operative, Vancity has a responsibility to be democratic, ethical and innovative providers. Vancity also strives to employ the resources of its members in ways that earn a fair financial return while providing sustainable benefits to the community and the environment.

DEVELOPMENT ISSUES

With the re-zoning, member vision and community acceptance in place, YES was now ready to move forward with development. They embarked on Phase 1A: two duplexes with a total of four three-bedroom units. Having found lenders with a common vision and various risk tolerance levels, YES focused on resolving their final development issues.

A. SITE SERVICING

Originally, the site had the infrastructure to support the two homes at the front of the property. There were a number of upgrades required for phase 1A and future phases. The land was on a septic system with the capacity to service only eight residences. New roads, hydro infrastructure, irrigation, and engineering work had to be completed. In order to begin servicing the site, YES required a source of funding to pay for all these upgrades. In addition, the members had ideas to install a solar aquatic sewage and water system that would alleviate some of the constraints faced by the existing system.

This phase included approximately $300,000 of site servicing costs that could not be fully allocated to individual units for sale in this phase, as they benefited the entire co-op. This made it challenging to finance, as it would not be repaid upon sale of the first units.

With each unit, members pay for a long-term lease on the land (see details below), similar to purchasing a lot. These funds are contributed to the site servicing pool. However, many members built up considerable sweat equity, which must first be netted from the lease amount (see cash flow). The sale of the first four units covered all but $135,000 of the site servicing costs incurred. To cover the balance, YES requested a longer-term loan with the construction loan that was to be repaid with land purchases in subsequent phases.

B. LEGAL ISSUES

Due to zoning and other factors, it was not possible to actually subdivide the land and sell lots. Additionally, it was important to the co-op to maintain co-operative ownership and governance of the land. However, residents needed to be able to “own” their homes in the EcoVillage so that they could get mortgages from banks or credit unions to pay for them.

There was some discussion around whether or not the land should be titled under the Strata Property Act. In discussions with legal counsel, it was decided that a strata plan would not be feasible for this type of development. A strata plan is normally registered at one time over the entire development, which requires all buildings to be completed more or less simultaneously. This would not work for YES, as the plans for development of residential units would occur in separate phases. A strata plan may be deposited in phases, but phasing still requires the entire development plan to be relatively well defined at the outset, in order for a phased strata plan declaration to be registered in the land title office. The number of units, the size of units, and the expected commencement and completion dates for each phase must be specified in the declaration. YES was not prepared to make this type of long-term commitment, as they were unsure of the full development picture.

Further legalities that prevented the strata title were issues of governance. On deposit of a strata plan, a strata corporation is formed whose members are all the owners of strata lots. There would therefore be two corporate entities in existence, the co-op and the strata corporation. There are specific structural and voting norms under the Strata Property Act that would be at odds with those of the co-op.

Alternatively, it is possible for a co-op to develop residential and commercial units on its property and convey long-term leasehold interests to members. Typical leasehold terms are 60 to 99 years. A lease of a portion of a lot can be registered in the land title office based on an explanatory plan, without disturbing title to the balance of the parcel. With that, YES would be able to transition through each phase without the firm commitment necessitated by a strata plan.

The leasehold structure has the advantage over the strata in that it permits flexibility in a multiyear development program, while still permitting members' interests to be registered in the land title office and mortgaged. This allows the co-operative planning process to adjust over the years according to member needs and preferences for different phases, and to integrate learnings from each phase.

This long-term leasehold structure should not affect the market value of the units, as the lease terms include the right to renew for $1 after 99 years. This means that the value of the leasehold does not decline over time.

**Note: There are disadvantages to the "organic" development process initially espoused by YES. Carrying costs can be high if building does not occur at a measured pace. Thus, as this case study was being written, YES was reconsidering this approach, and contracted with an internationally recognized cohousing consultant to review the site plan and establish a master plan for development. This process is likely decrease the time to buildout, and lead to a new approach to land ownership (currently the efficacy of a Strata Plan is being re-considered).

C. SELLING UNITS

At the time of financing, YES had grown its membership base to 30 members. With that, YES did not anticipate any trouble selling the four units available before construction began. However, they were surprised that it was not quite as easy as they had expected. Many members were not comfortable with the idea of purchasing a unit they could not see. Also, some of the single members were not interested in buying a three-bedroom unit, which was the only type of unit currently on offer.

On the other hand, banks generally require a committed buyer before they will finance construction, so that they know the loan will be repaid (this is why pre-sales are important to condo developers). A couple of members agreed to provide guarantees to purchase the unsold units if they hadn't found other buyers prior to completion.

YES realized that they had to focus more on marketing their project throughout North America. Between this phase and the next they took time to hold events in the community and identify issues that might be keeping potential members from committing.

FINANCING ISSUES

By June 2008, YES had finalized their plans and were ready to begin construction. They expected construction on this phase to be complete in February 2009 and the next phase the following February. But first, they needed to finalize arrangements for financing.

YES needed three types of financing:

1. $300,000 for site servicing as described above;
2. $1.1 million in construction financing to build the houses; and
3. Residential mortgages for each of their homebuyers so that they would be able to buy the units from YES, and so YES would be able to repay the construction loan.

Each of these types of financing had different risks associated with it. This case study will focus on the site servicing and construction loans because they required customized analysis and structuring, whereas residential mortgages are highly standardized and comparatively easy to obtain.

When qualifying for a loan, a lender will first examine the cash flows associated with the transaction to make sure that the project can pay for itself, then they will examine the security or collateral available to back the loan, then they will look at the risks associated with the project, and how to best mitigate these risks. A financing proposal from the borrower that addresses these issues can help accelerate this process.

A. CASH FLOW

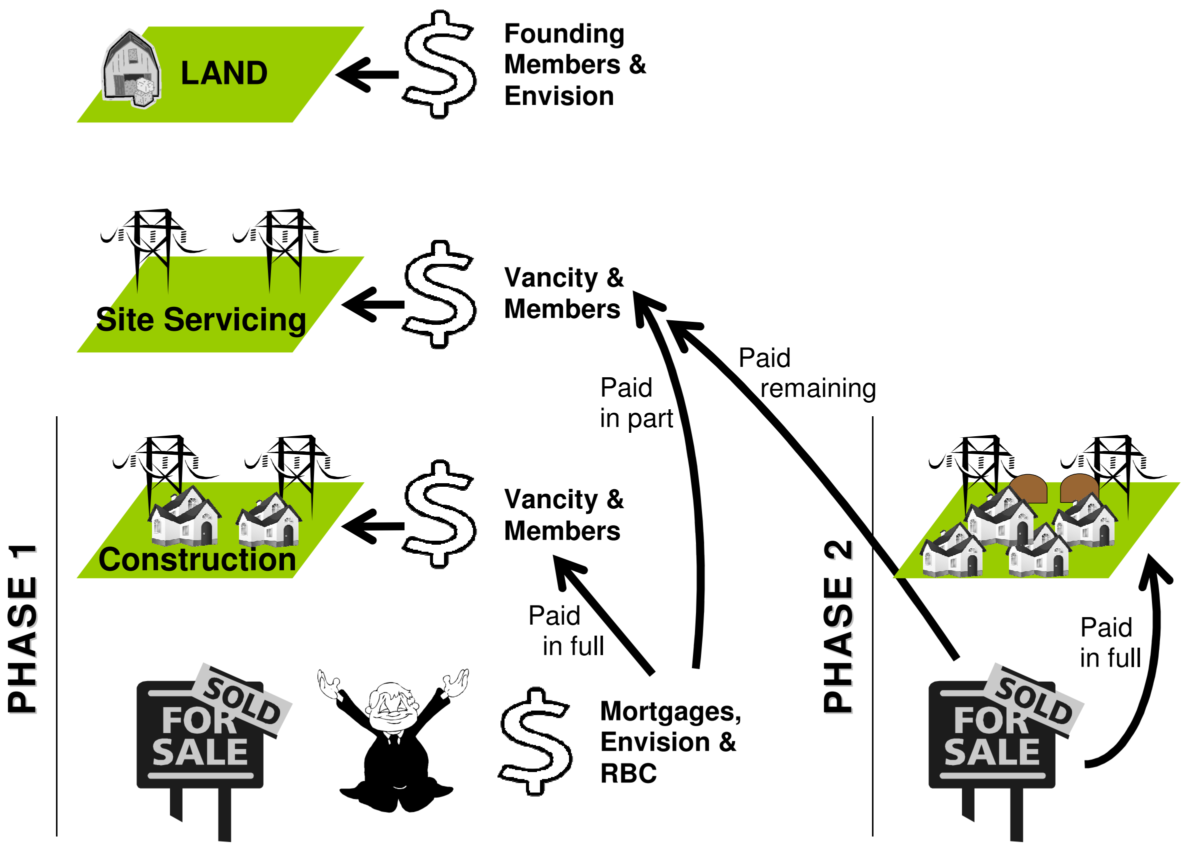
The co-op already had several sources of revenue, principally from rentals for housing and leases to the Yarrow Deli co-op and the organic farm, but for the most part it has operated on a breakeven basis via member assessments for costs accrued. Therefore, Vancity focused primarily on the strength of the construction project itself, with pre-sale contracts and deposits to confirm buyers' commitments. Financial Statements can be found in the appendix.

The construction was to be completed over eight months, three of which were financed by YES. In order to monitor the construction progress, Vancity asked for monthly reports of costs compared to budget and percentage complete. This is a typical way for a lender to ensure a project is on track. With each satisfactory report, YES was able to make another draw of loan funds. This method also prevents the borrower from paying interest on money they are not yet using. However, it is quite time consuming for both the borrower and the lender.

Since the strength of the loan came from the project, not the co-op, Vancity wanted to mitigate the risk of YES defaulting on their loan payments. They required YES to provide additional funds to be put into an interest payment reserve. Each month, the interest payments came from this account.

When the construction was complete, the members got title to their respective units. The purchase, funded by savings, sale of a home, or a residential mortgage, repaid the construction loan. The purchasers were expected to cover any cost overruns when they happened.

The site servicing, on the other hand, could not be attributed to any one unit or phase of development. The loan will be repaid with the funds from land title built into the price of each unit, for this phase and each subsequent one. However, members can use their sweat equity investment for the title purchase. In the first phase, many purchasers had considerable investment so the group was only able to repay $165,000 of the site-servicing loan. The remaining amount will be repaid when future homes (and title) are built and purchased. The figure below illustrates how the funds flowed to each level of the project.



B. SECURITY

A lender takes security on a loan to ensure that if YES is unable to repay the loan, they have options to get their money back. For this loan, there were three options that Vancity used as security for the loan:

1. A second mortgage on the land that was independently appraised at $3.241 million. The first mortgage is held by Envision Financial and is limited to $353,685. If YES were to

default on their loan, Vancity could sell the property with Envision. The balance of the land value would be sufficient to repay Vancity, even if it had to be significantly discounted. The loan-to-value ratio was 52%.

2. Pre-sale agreements from all purchasers and Offer Letters for take-out mortgages.

3. A General Security Agreement over all co-op's assets, assignment of rents, and construction insurance with Vancity as loss payee, postponement of all member loans, and restrictions on redemption of member shares.

Vancity also had full payment reserve that was kept on deposit to ensure that they got their revenues associated with the loan.

C. RISKS/MITIGATIONS

In the lending process, Vancity addressed a number of risks that they felt were relevant to the success of the YES project.

RISK: Construction Risk

The YES construction process was relatively high risk: YES had never completed a project like this and they were using newer, green building techniques.

The main risk in a construction project is that there will be cost overruns or the project will have major defects, which decrease its value or prevent its sale. If the project had cost overruns, the borrower could use up the money that the lender has approved before the project is finished. They would then need to go back to the lender, or find more money on their own. If the project ends up costing more than it can be sold for, there could be a loss. If construction is shoddy, the project may not be able to be sold.

MITIGATION:

High-risk projects can often be mitigated by securing an excellent management team. While costs may overrun, as they usually do, proper management will be able to make the appropriate adjustments to keep the project on track. The YES project had a number of qualified individuals backing their project.

Howard Staples, P. Eng. - Project Manager: 15 years of project management experience; initiators of the first successful cohousing community in British Columbia, Windsong Cohousing Community;

Joern Wingender - President, The Traditional Timber Framing Company Inc.; 20 years experience in timber framing in Germany and Canada; Board member of Harrop Procter Community Forest.

Neil Williams- building contractor specializing in natural building techniques.

Ben Wall - Consultant. Berma Construction, Yarrow. Local builder of custom homes and commercial properties: Sardis Square; Minter Gardens (1st heritage atrium, Rosedale); House of James (Abbotsford).

Kimron Rink, B.Arch - Solquest Designs, Langley specializing in green building, and CEO Eco-Tek Wastewater Treatments (VCC) Ltd., a venture capital corporation formed in 1994 to assist in financing an innovative wastewater technology.

Mark Porter, M.Eng., P.Eng., LEED™ Accredited Professional – Structural Engineer, Associated Engineering in Burnaby. Has 12 years experience in structural engineering, including institutional, commercial, historical, industrial, and residential developments.

Robin Zirnhelt- Structural Engineer, EIT Cascade Engineering Group, Canmore Alberta. Specialist in timber frame engineering and heavy wood structures.

Rosa Telegus, BApSc., P. Eng- Civil engineer. Over fifteen years experience in civil and environmental projects. She has expertise in solid waste reduction, collection and disposal. Liquid Waste Management Planning experience complements her specialty in on-site sewage disposal.

Steven Kaup, M.Arch, AIA, RAIC, LEED Accredited Professional- Building Envelope Engineer, Studio 9, Nelson, BC. Expertise in high performance building envelope consulting.

The new residential buildings would be financed by loan proceeds that would be distributed on a progress report basis, so that problems could be caught early. Any cost overruns would have to be covered by the purchasing member. The Project engineer would provide his guarantee at each draw that there was enough money left to finish the project.

YES members had already shown commitment to the project by making significant time commitments, cash advances and investments. YES had 31 members and associates who contributed approximately 1,018 hours worked per month. Member investment has been recorded at approximately $900,000.

Additional risk mitigation included an 8% contingency fund built into all future costs and monthly budget reports from the project manager highlighting any discrepancies between budgeted and actual cost. Draws would not be disbursed until the reports were received.

RISK: Market Risk

Would YES be able to sell the units at the assumed sale price? What if real estate prices decreased during construction?

MITIGATION:

Homebuyers had committed to the sale price by contract and deposit. Market value of the units had been confirmed at $340,000 to $360,000 each by an independent appraisal when compared to similar developments in Chilliwack. With each of the future YES units priced at $363,000, members have indicated that the premium is justified by the value added from the community and the energy savings from the green building techniques.

RISK: Longer-term site servicing loan
$135,000 of the site servicing loan would be repaid with the proceeds from sale of future units and investments in the co-op. If this phase was not successful, or if there were major delays before beginning phase 2, the site servicing loan might not be repaid.

MITIGATION:
There were already 7 members interested in purchasing units in the next phase of construction. Of the current 30 members, 15 had indicated their interest to purchase units at a later stage of construction. Each of these 15 had already invested $5,000, as a sign of good faith. However, YES was still dependent on the national and local economy and market demand. This risk could not be fully mitigated, and so required an exception to Vancity's lending policy in order for the Site Servicing Loan to be approved.

RISK: Liquidity of collateral
While the land has significant value, the ecovillage zoning makes it unique and potentially unattractive to others. In addition, the first mortgage was held by Envision.

MITIGATION:
When the founding members purchased the land in 2002, the purchase price was $540,000. With their success in re-zoning the land, the appraised value was now $3.2 million. The liquidation value of the land (the amount of cash realized if sold) was sufficient to pay back the lender in the worst-case scenario that YES collapsed. If YES were required to access funds in a short period of time, the liquidity of YES assets would consist of cash-on-hand and the cash derived from the sale of equipment and other current assets owned by YES. Liquidity risk exists if YES is not holding sufficient cash to manage their expenses and debt.

RISK: Organizational Strength
As a newly formed co-op, the risk of lending to such an organization was that there was no management history or precedent on which to base their capabilities. Loans require regular payments and are not flexible. Would they be able to manage monthly expenses in addition to the construction project?

MITIGATION:
Interest payments for the life of the loan were deposited in a reserve fund from the proceeds of the loan. To date, YES had been able to meet its cash requirements through a combination of revenue from property rental (ongoing) and member equity. Member advances for this phase were repaid upon disbursement, freeing up $376,000 of existing member equity.

RISK: Succession
A few founding members had thus far carried the majority of the project. What would happen if these members were to become ill, or burn out?

MITIGATION:
A leadership team had been growing through paid and volunteer staff. The team was already committed to distributing tasks efficiently and sharing leadership. The construction project hired an external consultant as project manager.

RISK: Takeout Financing
Takeout financing is a commitment to provide permanent financing to buyers following construction of a planned project. Once construction was complete, YES could sell the units to member, who, in most cases, needed residential mortgages. This takeout financing needed to be secured before the construction loan could be disbursed.

MITIGATION:
Takeout financing was secured with Envision Financial and RBC. Each buyer was individually pre-qualified for mortgages as a pre-disbursement condition.

D. TRANSACTION COSTS

One of the first challenges faced by Vancity was the lack of simplicity and ease of transaction. Given the complicated nature of the YES project and timeline, Vancity would spend more than 40 hours with YES over a 6 month period, ironing out all the details of the financing. Also, as a condition of the loan, Vancity required a careful analysis of project vs. actual budgets each month prior to disbursing any funds. This scrutiny is necessary to ensure the project is on time and on budget. From the initial contact to the present day, the number of hours allocated to managing and monitoring this financing project has been higher than usual.

E. RETURN ON INVESTMENT

The financial returns on investment for the lender can be measured by the interest and fees received from the borrower, divided by the amount of capital invested. These returns were probably slightly below market. However, there were also non-financial returns to be considered. With the YES project, Vancity was featured alongside YES members in several publications. This brought much attention to the work that Vancity was undertaking and the social benefits associated.

The experience of YES also imparted invaluable experience on the staff of Vancity – as this was the first loan of its kind. The learning returns were also a consideration and continue to be a part of Vancity's growth as a leader in community lending.

CONCLUSION

With any project, there are often externalities that present themselves at inopportune times and alter the timeline. The worldwide credit tightening, along with delays in resolving the development issues meant the first draw was not disbursed until December. An unseasonably cold winter meant the concrete wouldn't set and as a consequence one building had to move to a more traditional exterior. While YES did their best to make up time, the term of the construction loan had to be extended from June to August. Like a ripple effect, these delays caused delays in the next stage.

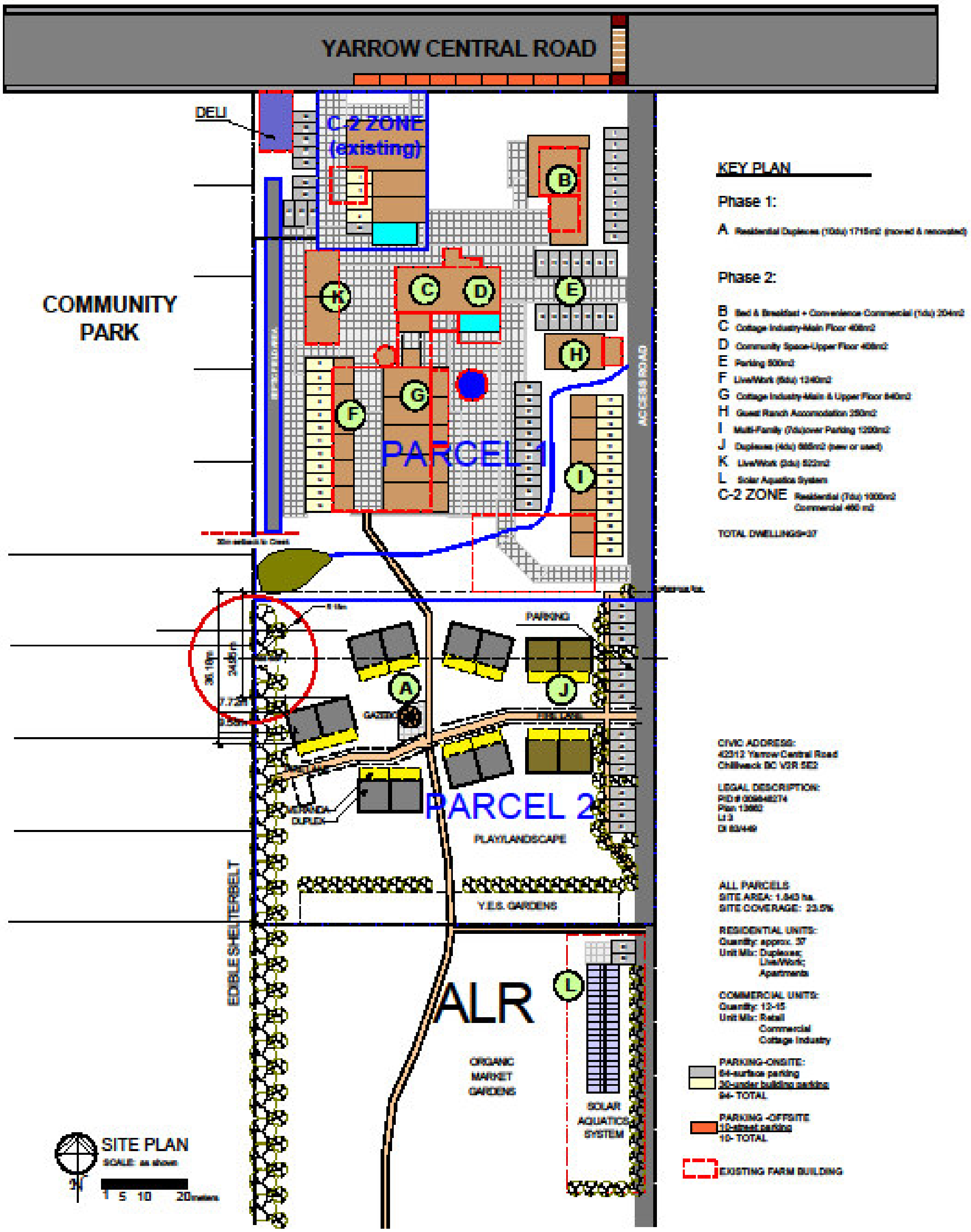
As 2010 begins, reflections on 2009 include a number of lessons learned. First, YES has gained significant insight from their regulators. They continue to balance a number of different forces including social and environmental ideas with government agency requirements and emerging green technologies. These challenges were also met with realities of higher costs, stricter regulations and unmet expectations. "Trying to be innovative and 'outside the box' in too many areas means extra cost of time and money."

Second, YES learned from the input of potential homebuyers and members. These individuals felt that the plans for future development were unclear and that there were many uncertainties that were preventing them from investing. Other concerns included rights and responsibilities and decision-making. These kinds of questions were what YES has yet to tackle in the development process. In order to move forward with member confidence, YES will have to consider all questions and answer them with as much certainty as possible.

They recently held a planning session with all YES members, facilitated by a North American expert on co-housing. At the same time, they were interviewed on two local radio stations and held information sessions at community centres, which were packed with a total of over 150 people. YES continues to work hard to improve their site plan and governance structure so that they can attract more members. They now have a robust Phase 2 in the works, with members interested in building two dome homes, another duplex, and a "pod housing" duplex with a four-bedroom shared housing set-up on one side. It looks like it will be another very full year for YES.

APPENDIX

Site Plan



Financial Statements

Statements of: Yarrow EcoVillage Society

Income Statement Analysis

Type	Review Engagement		Review Engagement		Internally Prepared		Note
# Months	12		12		5		
Date:	31-Dec-06		31-Dec-07		31-May-08		
Revenue							
Rental Income	28,237	94.5%	43,063	90.8%	18,122	90.9%	
Membership Dues	820	2.7%	420	0.9%	160	0.8%	
Miscellaneous	176	0.6%	42	0.1%	107	0.5%	
Interest	654	2.2%	3,896	8.2%	1,544	7.7%	
Total Revenue	**29,887**	**100%**	**47,421**	**100%**	**19,932**	**100%**	
Total COGS							
Gross Profit	**29,887**	**100%**	**47,421**	**100%**	**19,932**	**100%**	
Expenses							
Interest & Bank charges	21,341	71.4%	20,635	43.5%	10,770	54.0%	
Insurance	2,122	7.1%	3,039	6.4%	785	3.9%	
Property Tax	3,732	12.5%	7,723	16.3%	2,675	13.4%	
Amortization			16,074	33.9%			
Misc.	101	0.3%	1,557	3.3%	83	0.4%	
Repairs & maint.	1,898	6.4%	881	1.9%	316	1.6%	
Salaries							
Office	510	1.7%	794	1.7%			
Professional Fees	3,394	11.4%	12,324	26.0%	1,984	10.0%	
Utilities	971	3.2%	1,219	2.6%	964	4.8%	
	34,069	114.0%	64,246	135.5%	17,577	88.2%	
Pre-tax Profit	**(4,182)**		**(16,825)**		**2,355**	**12%**	
Extraordinary Items							
Future Income Taxes			2,893	6.1%			
Deferred Tax							
Net Profit	**(4,182)**		**(13,932)**		**2,355**	**12%**	
Addbacks:			**4014.3**		**1464.8**		
Future Income Taxes			2,893				
Interest on LTD	34,455		20,635		14,511		
Amortization			16,074				
Adjusted Cash Flow	**30272.6**	**101%**	**25669.9**	**54%**	**16866.3**	**85%**	
CPTD							
Main property mortgage (P	27,990		27,990		11,663		
Deli mortgages (P+I)	31,080		31,080		12,950		
Net Coverage	**(28797.4)**		**(33400.1)**		**(7746.2)**		

Statements of: Yarrow EcoVillage Society

Balance Sheet Analysis

Type	Review Engagement		Review Engagement		Internally Prepared		Note
# Months	12		12		5		
Date:	31-Dec-06		31-Dec-07		31-May-08		
Assets							
Cash	23,243	1.7%	8,573	0.6%	3,466	0.2%	
A/R - Trade	5,184	0.4%	1,290	0.1%	60	0.0%	
CP Loan Receivable	2,185	0.2%	2,359	0.2%			1
Prepaid Expenses	4,484	0.3%	3,520	0.2%	2,734	0.2%	
Current Assets	**35,096**	**3%**	**15,742**	**1%**	**6,260**	**0%**	
Land and Buildings	774,455	56.5%	813,293	53.5%	837,195	54.0%	
Equipment	1,231	0.1%	1,930	0.1%	2,928	0.2%	
Under Construction	510,268	37.2%	640,960	42.1%	656,043	42.3%	2
Loan Receivable	48,357	3.5%	45,997	3.0%	47,318	3.1%	1
Future Income Tax			2,893	0.2%			
Incorp Costs	1,551	0.1%			1,551	0.1%	
Fixed Assets	1,335,862	97.4%	1,505,073	99.0%	1,545,035	99.6%	
						3.1%	
						0.1%	
Total Assets:	**1,370,958**	**100%**	**1,520,815**	**100%**	**1,551,296**	**103%**	
Liabilities							
CF Operating Line							
A/P - Trade	13,674	1.0%	12,088	0.8%	9,577	0.6%	
Members' Advances	136,460	10.0%	143,109	9.4%	166,305	10.7%	4
Bank Loans	12,235	0.9%	12,235	0.8%	204	0.0%	3
CP Mortgage	12,685	0.9%	11,479	0.8%	2,333	0.2%	
Current Liabilities:	**175,054**	**13%**	**178,911**	**12%**	**178,418**	**12%**	
Bank Loans	586,191	42.8%	638,137	42.0%	648,911	41.8%	3
Members' Advances	604,744	44.1%	711,731	46.8%	710,221	45.8%	5
Total Liabilities:	**1,365,989**	**100%**	**1,528,779**	**101%**	**1,537,551**	**99%**	
Shareholder Loans							
Members' Shares	26,000	1.9%	27,000	1.8%	27,000	1.7%	
Retained Earnings	(21,031)	-1.5%	(34,964)	-2.3%	(13,255)	-0.9%	
Total Equity:	**4,969**	**0%**	**(7,964)**	**-1%**	**13,745**	**1%**	
Liabilities + Equity	**1,370,958**	**100%**	**1,520,815**	**100%**	**1,551,296**	**100%**	

Notes
1 Loan to Yarrow Deli Co-op, in good standing
2 Costs associated with assets Under Construction (development costs, etc).
3 Two Envision mortgages and a second mortgage from Cohousing Investment Equity Fund on the deli property.
4 Includes members' deposits on Phase 1A and a member loan that will be repaid with the proceeds of the unit sales in phase 1A.
5 Includes members' and associates' investment shares and sweat equity

Projected Cash Flow from the development and sale of 16 housing units (= 8 duplexes) over three summers

timing >	*summer '08*				*summer '09*				*summer '10*							
unit # >	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*
cost breakdown (land/ servicing estimates per A. Dobbs and C. King-Scobie et al May 8, '08: construction per N. Williams and H. Staples June 13 '08)																
serviced land	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98
building cost	265	265	265	265	265	265	265	265	265	265	265	265	265	265	265	265
total cost per unit	363	363	363	363	363	363	363	363	363	363	363	363	363	363	363	363
cummulative cost	363	726	1,089	1,452	1,815	2,178	2,541	2,904	3,267	3,630	3,993	4,356	4,719	5,082	5,445	5,808
payment breakdown (Sales Price = Cost. Also assumes conservatively that there will be no future cost savings and that sales prices will remain unchanged)																
member 'credit's	228	20			134	92										
cash	135	343	363	363	229	271	363	363	363	363	363	363	363	363	363	363
total pmt	363	363	363	363	363	363	363	363	363	363	363	363	363	363	363	363
Cash generated from units sales (= Sales - 'Credits' owed to current members/home buyers for their Advances, Loans, Sweat Equity etc)																
by this unit	135	343	363	363	229	271	363	363	363	363	363	363	363	363	363	363
cumm. this cycle	135	478	841	1,204	229	500	863	1,226	363	726	1,089	1,452	1,815	2,178	2,541	2,904
$ 1,100k short term 'construction loan' (taken against pre-sales and repaid in full at the end of the construction cycle)																
loan per unit	265	265	265	265	265	265	265	265	265	265	265	265	265	265	265	265
…total for all units				1,060				1,060								2,120
repmt per unit sale	135	343	363	363	229	271	363	363	363	363	363	363	363	363	363	363
…total for all units				1,204				1,226								2,904
over/ under per unit	-130	78	98	98	-36	6	98	98								
net cash per cycle				144				166								784
$ 300 k, 24 month Site Servicing Loan (road, drainage, septic, hydro etc; repmt. From sale of houses over two summers and cash from member investments)																
opening balance					216				-							
loan taken	300										additional site developments for year 3 to be costed/ financed in the 2nd year. Member loans to be main source					
interest paid (both)				60				90								
principal paid, revenue				84				76								
principal paid, members								140								
closing loan				216				-								

*YES needs two loans: a **$1,100k, 8 month construction** loan to be repaid from the sale of pre-sold units, and a **$300k, 24 month Site Servicing Loan** to be half repaid from the sale of units and half from Member Loans*