

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Financial Statements**  
**For the Year Ended December 31, 2016**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING


The accompanying financial statements for the year ended December 31, 2016 are the responsibility of management and have been reviewed and approved by senior management. The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and of necessity include some amounts that are based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of donations and other revenue.
- safeguard the assets and properties under Habitat for Humanity - Edmonton Society's administration.

Habitat for Humanity - Edmonton Society carries out its responsibility for the financial statements through its Board of Directors. The Board of Directors meets with management and KPMG LLP to review financial matters, and to approve the financial statements upon finalization of the audit. KPMG LLP has free access to the Board of Directors.

KPMG LLP provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and procedures, which allow them to report on the fairness of the financial statements prepared by management.



Alfred Nikolai  
President and Chief Executive Officer  
Habitat for Humanity – Edmonton Society

March 28, 2017



KPMG LLP  
2200, 10175 - 101 Street  
Edmonton AB T5J 0H3  
Canada  
Telephone (780) 429-7300  
Fax (780) 429-7379

## **INDEPENDENT AUDITORS' REPORT**

To the Directors of Habitat for Humanity – Edmonton Society

We have audited the accompanying financial statements of Habitat for Humanity – Edmonton Society, which comprise the statement of financial position as at December 31, 2016, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



*Basis for Qualified Opinion*

In common with many not-for-profit organizations, Habitat for Humanity – Edmonton Society derives revenue from in-kind donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Habitat for Humanity – Edmonton Society. Therefore, we were not able to determine whether, as at and for the year ended December 31, 2016, any adjustments might be necessary to in-kind donation revenues and excess of revenues over expenses reported in the statement of operations, excess of revenues over expenses reported in the statement of cash flows and current assets and net assets reported in the statement of financial position.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Habitat for Humanity – Edmonton Society as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

---

Chartered Professional Accountants

March 28, 2017  
Edmonton, Canada

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Table of Contents**  
**December 31, 2016**

	<u>PAGE</u>
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-16
Schedule 1 - Schedule of Homes Held for Sale	17
Schedule 2 – Schedule of Program Expenses	18
Schedule 3 – Schedule of ReStore Operations	19
Schedule 4 – Schedule of General and Administrative Expenses	20

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Statement of Financial Position**  
**December 31, 2016 with comparative information for 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 473,309	\$ 56,258
Cash, restricted	-	691,936
Accounts receivable (Note 3)	1,092,557	1,441,681
Other current assets (Note 4)	1,258,753	434,544
Mortgages receivable, current portion (Note 5)	1,296,184	1,158,337
Homes held for sale (Note 7)	24,275,305	24,188,108
Construction in progress (Note 7)	5,293,950	4,382,495
Land for future builds (Note 7)	3,758,787	1,441,550
	<u>37,448,845</u>	<u>33,794,909</u>
Mortgages receivable (Note 5)	42,825,823	37,659,289
Capital assets (Note 8)	2,381,385	2,640,085
	<u>\$ 82,656,053</u>	<u>\$ 74,094,283</u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Bank overdraft (Note 9)	\$ 3,266,847	\$ 3,016,132
Accounts payable and accrued liabilities	1,525,275	829,204
Amounts held on behalf of Partner Families	436,847	392,646
Tenancy deposits	351,911	383,087
Due to Habitat for Humanity affiliates (Note 17)	222,188	-
Deferred contributions (Note 10)	2,786,920	2,315,737
Deferred capital contributions, current portion (Note 11)	43,827	45,621
Debt, current portion (Note 9)	18,205,536	19,105,443
	<u>26,839,351</u>	<u>26,087,870</u>
Deferred capital contributions (Note 11)	54,004	97,831
	<u>26,893,355</u>	<u>26,185,701</u>
<b>NET ASSETS</b>		
Invested in capital assets	2,283,554	2,464,726
Invested in programs	53,479,144	45,443,856
	<u>55,762,698</u>	<u>47,908,582</u>
	<u>\$ 82,656,053</u>	<u>\$ 74,094,283</u>

Commitments (Note 12)  
See accompanying notes to the financial statements.

  
\_\_\_\_\_  
Chair, Board of Directors

  
\_\_\_\_\_  
Chair, Audit & Risk Committee

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Statement of Operations**  
**Year ended December 31, 2016 with comparative information for 2015**

	<u>2016</u>	<u>2015</u>
<b>REVENUE</b>		
Government grants <i>(Note 10, 13)</i>	\$ 11,601,357	\$ 2,800,627
Other donations and fundraising	2,159,850	2,178,006
In kind donations	605,997	642,274
Other income	404,988	480,282
	<u>14,772,192</u>	<u>6,101,189</u>
<b>SALES AND COST OF SALES</b>		
Home sales	14,655,663	16,137,871
Mortgage discount income <i>(Note 5)</i>	2,015,713	1,730,896
Cost of home sales and building operations	(17,056,684)	(18,278,916)
Mortgage discount expense <i>(Note 5)</i>	(3,173,739)	(3,280,416)
	<u>(3,559,047)</u>	<u>(3,690,565)</u>
<b>PROGRAM EXPENSES</b> <i>Schedule 2</i>		
Family and community support	(811,065)	(634,529)
Volunteer support	(464,363)	(498,086)
Capacity building	(271,870)	(292,344)
Interest on bank overdraft and debt	(714,135)	(599,513)
	<u>(2,261,433)</u>	<u>(2,024,472)</u>
<b>NET PROGRAM ACTIVITY</b>	<b>\$ 8,951,712</b>	<b>\$ 386,152</b>
<b>RESTORE OPERATIONS</b> <i>Schedule 3</i>		
Revenue	3,356,130	3,203,518
Expenses	(2,250,734)	(2,197,655)
	<u>1,105,396</u>	<u>1,005,863</u>
<b>PREFAB CONTRIBUTION CENTRE</b>		
Revenue	71,506	122,709
Expenses	(22,374)	(109,465)
	<u>49,132</u>	<u>13,244</u>
<b>GENERAL AND ADMINISTRATIVE</b> <i>Schedule 4</i>	(2,252,124)	(2,177,766)
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 7,854,116</b>	<b>\$ (772,507)</b>

See accompanying notes to the financial statements.

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2016 with comparative information for 2015**

	Invested in Programs	Invested in Capital Assets	2016	2015
Balance, beginning of year	\$ 45,443,856	\$ 2,464,726	\$ 47,908,582	\$ 48,681,089
Excess (deficiency) of revenue over expenses	7,808,495	45,621	7,854,116	(772,507)
Investment in capital assets	(122,264)	122,264	-	-
Amortization of capital assets	380,964	(380,964)	-	-
Capital lease repayments	(31,907)	31,907	-	-
<b>Balance, end of year</b>	<b>\$ 53,479,144</b>	<b>\$ 2,283,554</b>	<b>\$ 55,762,698</b>	<b>\$ 47,908,582</b>

See accompanying notes to the financial statements.



**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Statement of Cash Flows**  
**Year Ended December 31, 2016 with comparative information for 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATIONS:</b>		
Excess (deficiency) of revenue over expenses	\$ 7,854,116	\$ (772,507)
Non-cash items:		
Amortization of capital assets	380,964	433,367
Amortization of deferred capital contributions	(45,621)	(52,818)
	<u>8,189,459</u>	<u>(391,958)</u>
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	349,124	(115,861)
Increase in other current assets	(824,209)	(159,514)
Decrease (increase) in homes held for sale	(87,197)	2,234,244
Decrease (increase) in construction in progress	(911,455)	2,936,483
Decrease (increase) in land for future builds	(2,317,237)	126,510
Increase (decrease) in accounts payable and accrued liabilities	696,071	(276,572)
Increase in amounts held on behalf of Partner Families	44,201	16,026
Decrease in tenancy deposits	(31,176)	(134,684)
Increase (decrease) in due to affiliates	222,188	(161,343)
Increase in deferred contributions	471,183	406,901
	<u>5,800,952</u>	<u>4,480,232</u>
<b>INVESTMENTS:</b>		
Increase in mortgage receivable	(5,304,381)	(7,945,777)
Purchase of capital assets	(122,264)	(60,117)
	<u>(5,426,645)</u>	<u>(8,005,984)</u>
<b>FINANCING:</b>		
Proceeds (repayment) of bank overdraft	250,715	(618,461)
Proceeds from debt	3,000,000	5,000,000
Repayments of debt principal	(3,899,907)	(922,477)
	<u>(649,192)</u>	<u>3,459,062</u>
<b>Decrease in cash</b>	<b>(274,885)</b>	<b>(66,600)</b>
Cash, beginning of year	748,194	814,794
<b>Cash, end of year</b>	<b>\$ 473,309</b>	<b>\$ 748,194</b>
Cash consists of:		
Cash	\$ 473,309	\$ 56,258
Cash, restricted	-	691,936
	<u>\$ 473,309</u>	<u>\$ 748,194</u>

See accompanying notes to the financial statements.

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

### 1. PURPOSE OF THE SOCIETY

Habitat for Humanity – Edmonton Society (the “Society”) is a housing charity operating in affiliation with Habitat for Humanity Canada and Habitat for Humanity International. The Society’s vision is to see a world where everyone has a safe and decent place to live.

The Society operates throughout northern Alberta with a mission to mobilize volunteers and community partners in building affordable housing and promoting home ownership through interest free mortgages as a means to breaking the cycle of poverty. In order to support administrative and fundraising efforts, the Society also sells donated goods and materials at stores called ReStore. During the year, the Society continued using the Prefab Contribution Centre excess capacity to build walls and floors for third parties.

The Society is incorporated under the *Societies Act* of the Province of Alberta, is a registered charity with Canada Revenue Agency and is not subject to income taxes.

The Society’s homeownership program is established as follows:

- a) A family who meets the eligibility criteria is given occupancy to a Society owned home, making them a Partner Family;
- b) A Partner Family is considered a tenant in the first year of occupancy until they complete the requirements to become a home owner. During this phase, monthly tenancy deposits are paid to the Society. Tenancy deposits become Partner Family home equity when all requirements for home ownership are fulfilled and a mortgage is established;
- c) A Partner Family’s monthly payments to the Society include amounts for home insurance, condo fees and property taxes which are remitted annually by the Society;
- d) First and second mortgages (second mortgages exist on homes sold prior to 2006) are held by the Society and are interest-free for a Partner Family;
- e) If a Partner Family leaves the program, the Society holds a right of first refusal to purchase the home sold to a Partner Family in the cases when the home was purchased in 2006 or later. When a home is repurchased by the Society, all home equity earned (tenancy deposits, mortgage payments and security deposits) is repaid to the Partner Family;
- f) The cumulative payments made by Partner Families either in tenancy or in mortgage are considered to be part of the Fund for Humanity. These funds, less any amounts used to repay Partner Family equity on repurchased homes are reinvested in the program to build or renovate homes.

The Society incurs various costs, which are expensed as incurred, as part of both its construction and complementary programs to support the homeownership mission as follows:

- a) Volunteers are mobilized in all facets of the organization including the building of homes, the operation of two social enterprises (Prefab Contribution Centre and ReStore), the Partner Family selection process and other ancillary tasks such as administration;
- b) In rural communities, committees are formed to facilitate the family selection process, the day-to-day build activities and local fundraising;
- c) The Society’s Prefab Shop provides a safe and efficient construction environment where trained construction staff lead volunteers in the construction of walls, floors and other wood based home components. Costs of using the facility are directly allocated to builds and any excess capacity is expensed as incurred;

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

### 1. PURPOSE OF THE SOCIETY (Continued)

- d) As our primary mission to serve families, the Society operates a Family Services department which supports Partner Families from selection through the duration of the mortgages. This department is responsible for numerous family related services such as family selection, homeownership training (covering budgeting, home maintenance and other related aspects of homeownership) and collection of payments to the Fund for Humanity;
- e) For each family served in a year, \$2,500 is allocated through Habitat for Humanity Canada (HfHC) as a tithe to build a home elsewhere in the world. The Society uses HfHC's definition of *family served* which includes new homes and repurchased homes where the original family was in the home for more than two years;
- f) As part of the Society's strategic plan to serve families, the use of debt to help fund the construction of new homes is one of the four funding sources (which also include government funding, business/individual donations and the Fund for Humanity).

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Presentation

The financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

#### b) Controlled Entities

The seven condominium corporations controlled by the Society are not consolidated in these statements.

#### c) Cash

Cash consists of cash on hand.

Restricted cash is externally restricted and consists of amounts held on behalf of the Move Up program in partnership with the City of Fort Saskatchewan and other various partners. The related obligations are included in deferred contributions.

#### d) Mortgages Receivable

Interest free first mortgages are provided to Partner Families.

First mortgages are originally recognized at fair value based on the Society's borrowing rate in the year of inception. In subsequent years, first mortgages receivable are recognized at amortized cost by means of the recognition of a deemed interest income, calculated using a declining balance method over the life of the mortgage.

Second mortgages include terms for forgiveness, which are contingent upon the occurrence of certain future events, including the length of occupancy by the Partner Family. Due to the uncertainty of collection, second mortgages are originally recognized at a fair value of zero. If conditions arise that require forgivable portions to be repaid, or the right to forgiveness has been forfeited, the previously forgivable portion will be recognized as revenue.

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Homes Held for Sale

Homes held for sale are reported at the lower of cost or net realizable value. Net realizable value is determined as market value (appraised value). Any excess costs over net realizable value is expensed in the year in which the impairment is identified.

f) Construction in Progress

Construction in progress comprises land, materials, labour, and other manufacturing costs accumulated to date for homes not yet completed. Construction in progress is valued at the lower of cost or net realizable value and any excess costs over net realizable value is expensed in the year in which the impairment is identified.

g) Land for Future Builds

Land for future builds includes fully serviced lots and raw land purchased for development. Land is valued at the lower of cost or net realizable value and includes lot costs, undeveloped land costs, underground servicing, and rezoning fees.

h) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

Building, Habitat Centre	25 years
Construction equipment	5 years
Leasehold improvements	lease term
Automotive equipment	5 years
Office equipment	5 years
Retail equipment	5 years

i) Amounts Held on Behalf of Partner Families

Property tax and home insurance premiums are collected monthly in advance from Partner Families and remitted annually by the Society.

j) Tenant Deposits

Security deposits and monthly tenancy payments received from Partner Families while in the tenancy phase are offset against the sales price of the home at the time a first mortgage is granted by the Society.

k) Net Assets Invested in Programs

In accordance with the Society's mission, all net assets not invested in capital assets are invested in program delivery.

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### l) Revenue Recognition

The Society follows the deferral method of accounting for contributions, which include donations and government grants. Restricted contributions are recognized as revenue during the year in which the related expenses or expenditures for projects under development are incurred. Unrestricted contributions and pledges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted capital contributions are deferred and amortized into revenue at the corresponding amortization rate of the related capital assets.

Home sales are recognized at the date of the first mortgage, at which time all the rights and responsibilities of ownership are transferred to partner families.

ReStore sales consist entirely of donated merchandise. Revenue is recognized when the merchandise is sold.

Prefab Contribution Centre sales are recognized when the merchandise is sold.

#### m) Donated Goods and Services

Goods donated to ReStore are not recorded as inventory in these financial statements because fair value cannot be reasonably determined.

Other donated goods or services are recorded when fair value can be reasonably estimated.

A substantial number of volunteers make significant contributions of their time to the Society; the fair value of this contributed time is not quantifiable and thus is not reflected in these financial statements.

#### n) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market, are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment at the end of the fiscal year. Where an impairment is identified, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Use of Estimates

The preparation of these financial statements 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 revenue and expense during the year. Actual results could differ from these estimates.

### 3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Grants receivable	\$ 947,602	\$ 1,139,290
Trade receivables	129,300	120,707
Move Up Program	8,790	8,790
Other receivables	6,865	172,894
	<u>\$ 1,092,557</u>	<u>\$ 1,441,681</u>

The Move Up Program was a home ownership incentive program that was established in 2013 between the City of Fort Saskatchewan, the Society and other various partners. The Society acted as the administrator of funds to qualifying families. No payments were issued during 2015. New applications are no longer being accepted for this program; the program was terminated in 2016.

### 4. OTHER CURRENT ASSETS

	<u>2016</u>	<u>2015</u>
Fort Saskatchewan land deposit (Note 12)	\$ 717,200	\$ -
Laurel land deposit	200,000	200,000
Prepaid rent and insurance	178,208	51,298
Consumable inventory	89,272	109,174
Rent and other deposits	74,073	74,072
	<u>\$ 1,258,753</u>	<u>\$ 434,544</u>

## HABITAT FOR HUMANITY – EDMONTON SOCIETY

### Notes to Financial Statements

Year ended December 31, 2016

#### 5. MORTGAGES RECEIVABLE

	2016	2015
Gross mortgages receivable	\$ 56,065,019	\$ 49,602,612
Unamortized mortgage discount	<u>(11,943,012)</u>	<u>(10,784,986)</u>
Present value of mortgages receivable	44,122,007	38,817,626
Less: Current portion	<u>(1,296,184)</u>	<u>(1,158,337)</u>
Long-term portion	<u>\$ 42,825,823</u>	<u>\$ 37,659,289</u>

During 2016, 55 new mortgages (2015 - 64 new mortgages) were signed with associated home costs of \$14,170,208 (2015 – 15,819,663).

At December 31, 2016, 277 (2015 - 250) first mortgages remain outstanding.

A mortgage discount expense of \$3,173,739 (2015 - \$3,280,416) was recognized on new mortgages during the year. Mortgage interest income during the year is \$2,015,713 (2015 - \$1,730,896).

#### 6. SECOND MORTGAGES

Second mortgages, representing 20% of the appraised value of homes sold, relate to properties sold by the Society from 1998 to 2005. Repayments of second mortgages, based on the resale of the home, are governed by the following terms: within the first 12 years of issuance, full repayment is required; from 12 years to 25 years a predetermined discounted repayment is required; and after 25 years the mortgage is fully forgiven.

At December 31, 2016, 33 (2015 - 34) second mortgages remain totaling \$771,778 (2015 - \$813,228). These balances are reflected at a fair value of \$0.

During 2016 there were 0 (2015 - 2) second mortgage repayments and 1 (2015 – 0) forgiven second mortgage.

#### 7. HOME ASSET INVENTORY

	2016	2015
Houses held for sale ( <i>Schedule 1</i> )	104 units	98 units
Homes under construction	47 units	32 units
Land for future builds	50 units	24 units

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

### 8. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2016	2015
Land	\$ 235,000	\$ -	\$ 235,000	\$ 235,000
Building, Habitat Centre	2,220,105	699,033	1,521,072	1,577,678
Construction equipment	1,036,977	722,368	314,609	383,834
Leasehold improvements	441,760	297,501	144,259	203,866
Automotive equipment	529,607	435,088	94,519	138,074
Office equipment	466,700	406,650	60,050	80,723
Retail equipment	148,357	136,481	11,876	20,910
	<u>\$ 5,078,506</u>	<u>\$ 2,697,121</u>	<u>\$ 2,381,385</u>	<u>\$ 2,640,085</u>

Amortization of construction equipment and equipment under capital lease during the year of \$179,197 (2015 - \$198,840) is recognized as part of the total cost of home sales and building operations and thus is not separately reflected in the Statement of Operations. Total amortization recognized during the year is \$380,964 (2015 - \$433,367).

### 9. BANK OVERDRAFT AND DEBT

Amounts outstanding on authorized loan facilities with Canadian Western Bank, totaling \$34,000,000 (2015 - \$29,000,000), as well as a third party capital lease and CMHC advances, are as follows:

	2016	2015
Demand revolving reducing fixed term loan, authorized \$27,500,000, interest at 5 year residential mortgage 3.20% per annum, over 20 years in advance, secured by demand promissory notes and assignment of specific Partner Family mortgages;	\$ 18,205,536	\$ 18,973,536
Demand overdraft, authorized \$6,500,000, interest at 3.20% per annum paid monthly, secured by a General Security Agreement covering all property;	3,266,847	3,016,132
CMHC advances, non-interest bearing, repayable on demand;	-	100,000
Capital lease, authorized \$129,062, implied interest at 13.25%, maturing in June 2016, secured by the equipment;	-	31,907
	<u>\$ 21,472,383</u>	<u>\$ 22,121,575</u>
Bank overdraft	\$ 3,266,847	\$ 3,016,132
Current portion of debt	18,205,536	19,105,443
	<u>\$ 21,472,383</u>	<u>\$ 22,121,575</u>



# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

### 9. BANK OVERDRAFT AND DEBT (Continued)

The funds available under the revolving credit facility are reduced by any outstanding letters of credit issued pursuant to this facility agreement. At December 31, 2016, the Society had outstanding letters of credit, totaling \$1,169,000 (2015 - \$485,130).

The following financial covenants must be maintained:

- i. Cash flow coverage ratio of not less than 1.30X
- ii. Debt to tangible net worth ratio not greater than 0.75:1:00
- iii. Tangible net worth (net assets) of not less than \$35,000,000

The level of financing under the demand revolving loan shall at no time exceed the aggregate of the following:

- i. 60% of the value (less or mortgage amount or appraised value) of all assigned, current mortgages receivable in the Greater Edmonton Area;
- ii. 50% of the value (lessor of mortgage amount or appraised value) of all assigned, current mortgages receivable outside of the Greater Edmonton Area.

The demand overdraft shall be supported by a minimum of \$3,500,000 in margined security, consisting of:

- i. 50% of the appraised value of land held for future builds
- ii. 65% of the appraised value of houses held for sale in the Greater Edmonton Area
- iii. 50% of the appraised value of houses held for sale outside the Greater Edmonton Area
- iv. 65% of the appraised value of the Habitat Centre

As at December 31, 2016, the Society is in compliance with the terms and covenants in relation to its debt.

Management does not believe that the demand features of the demand revolving reducing fixed term loan will be exercised. Assuming payment of the demand revolving fixed term loan is not demanded, scheduled principal payments required for the next five years on the demand revolving fixed term loan and capital lease are due as follows:

2017	\$	762,507
2018		787,268
2019		812,834
2020		837,901
2021		866,439
Thereafter		<u>14,138,587</u>
	\$	<u><u>18,205,536</u></u>

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

### 10. DEFERRED CONTRIBUTIONS

Deferred contributions represent restricted contributions and grants that were unspent at the year-end.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 2,315,737	\$ 1,908,836
Contributions	12,113,752	3,298,032
Recognized as revenue (government grants) (Note 13)	(11,601,357)	(2,800,627)
Recognized as revenue (other)	<u>(41,212)</u>	<u>(90,504)</u>
Balance, end of year	<u>\$ 2,786,920</u>	<u>\$ 2,315,737</u>

### 11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent designated donations and grants for capital purchases that were unamortized at the year-end.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 143,452	\$ 196,270
Recognized as other revenue	<u>(45,621)</u>	<u>(52,818)</u>
Balance, end of year	97,831	143,452
Less: Current portion	<u>(43,827)</u>	<u>(45,621)</u>
Long-term portion	<u>54,004</u>	<u>\$ 97,831</u>

### 12. COMMITMENTS

The Society has entered into a land purchase agreement and is committed to making a final installment payment of \$725,200 for 8 serviced lots located in Fort Saskatchewan. The final payment is due in May 2017.

Minimum annual base lease payments on four facilities are as follows:

2017	789,181
2018	783,852
2019	365,547
2020	<u>2,400</u>
	<u>\$ 1,940,980</u>

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

### 13. GOVERNMENT GRANT REVENUE

	<u>2016</u>	<u>2015</u>
Municipal Grants	\$ 3,724,000	\$ 2,000
Government of Alberta grants signed in 2016	5,366,669	-
Government of Alberta grants signed prior to 2016	2,490,688	2,798,627
Federal grants	<u>20,000</u>	<u>-</u>
	<u>\$ 11,601,357</u>	<u>\$ 2,800,627</u>

### 14. RIGHT OF FIRST REFUSAL

Beginning in 2006, the Society included a clause in mortgage agreements which allows the Society the right of first refusal to repurchase homes should the Partner Family decide to sell their home. The required buyback payment is calculated as the difference between the original sale price of the home to the Partner Family less any outstanding balances on the related mortgage.

During 2016 there were 30 (2015 - 24) homes repurchased from Partner Families with total accumulated equity of \$1,064,311 (2015 - \$772,740) paid to Partner Families.

### 15. FUND FOR HUMANITY

The Fund for Humanity represents funds collected from Partner Families through mortgage payments and tenancy prepayments. These funds are reinvested in building or acquiring additional homes. The following amounts were paid into the Fund for Humanity during the year:

	<u>2016</u>	<u>2015</u>
Mortgage payments	\$ 2,145,051	\$ 2,028,434
Rental payments recognized as income	62,700	62,630
Tenancy payments	<u>522,030</u>	<u>620,750</u>
	2,729,781	2,711,814
Second mortgage payouts (Note 6)	<u>-</u>	<u>56,800</u>
	<u>\$ 2,729,781</u>	<u>\$ 2,768,614</u>

### 16. CONTROLLED ENTITIES

The revenue and expenses of the seven condominium corporations controlled by the Society are collected and paid respectively by the Society and reimbursed by each condominium corporation. If one of the condominium corporations does not have sufficient cash to reimburse the Society, the balance remains until sufficient funds exist; interest of 1% is payable on designated balances.

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

### 16. CONTROLLED ENTITIES (Continued)

Required maintenance work performed by the Society's construction employees is recorded at cost.

At December 31, 2016, the Society's payables include \$459,499 due to condominium corporations (2015 - payable of \$9,070).

Combined financial summaries of these unconsolidated entities as at December 31, 2016 and 2015 and for the years then ended are as follows:

	2016	2015
<b>Financial Position</b>		
Total assets	\$ 487,545	\$ 334,758
Total liabilities	-	11,124
Total net assets	487,545	323,634
	<u>\$ 487,545</u>	<u>\$ 334,758</u>
<b>Results from Operations</b>		
Total revenue	\$ 590,027	\$ 664,716
Total expenses	(426,115)	(326,432)
Excess of revenue over expenses	\$ 163,912	\$ 338,284
<b>Cash Flows</b>		
Cash from operations	\$ (30,983)	\$ 158,459
Cash used in financing and investing activities	-	-
(Decrease) Increase in cash	<u>\$ (30,983)</u>	<u>\$ 158,459</u>

### 17. DUE TO HABITAT FOR HUMANITY AFFILIATES

Government of Alberta - *Affordable Housing Program* funding is administered by the Society for all Habitat for Humanity affiliates in Alberta. Other than the acting as administrator of these funds, there are no financial transactions between the Society and other Habitat for Humanity affiliates in Alberta. The assets, liabilities, net assets, and results of operations for affiliates are not included in these financial statements.

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

### 18. HABITAT FOR HUMANITY CANADA FEES

The Society remits payments for national programs and initiatives based on the number of builds, ReStore sales and nationally administrated gifts in kind. The Society remitted a tithe fee of \$2,500 for 32 (2015 - 35) completed builds during the year and 27 buybacks (2015 - 16). Fees incurred during the year consists of the following:

	2016	2015
Tithe fees	\$ 147,500	\$ 127,500
ReStore fees	184,268	116,377
Build gift in kind fees	64,268	49,659
Annual fee	30,000	30,000
	<u>\$ 426,036</u>	<u>\$ 323,536</u>

Construction related gift in kind fees are included in the cost of the builds and are not reflected in the Statement of Operations.

### 19. GOVERNMENT REMITTANCES

Included in accounts payable and accrued liabilities at year-end are government remittances payable of \$33,029 (2015 - \$53,114).

### 20. FINANCIAL RISK

#### Credit Risk

The Society is exposed to credit risk in the event of non-payment of mortgages by Partner Families or from non-collection of accounts receivable. Management believes that the credit risk from non-collection of mortgages is mitigated as the carrying value of the mortgages is secured by the value of the underlying homes. Further, the credit risk arising from non-payment of accounts receivable balances is minimal as the amounts are due primarily from government bodies.

The Society is exposed to real estate fluctuation risks on repurchased homes. The repurchase price is based on the fair market value at the time of the original Partner Family's move in date, while the subsequent sales price to the new Partner Family is based on the current market value.

#### Liquidity Risk

The Society manages its liquidity risk by monitoring forecasted and actual cash flows and financial liabilities.

#### Market Rate Risk

Market risk is comprised of currency risk, interest rate risk and other price risk. The Society is exposed to fluctuations in interest rates as the banking facilities bear interest at variable rates. The mortgages receivable do not bear interest rate risk given that they are non-interest bearing. The Society is not exposed to significant currency risk or other price risk.

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Schedule of Homes Held for Sale**  
**Year ended December 31, 2016**

**SCHEDULE 1**

	<u>Number of Homes</u>	<u>2016</u>
<b>NEW HOMES COMPLETED IN 2016</b>		
1-6, 48-56 11403 17 Ave. Edmonton	15	\$ 4,031,000
Gift Lake Metis Settlement	6	1,492,341
East Prairie Metis Settlement	6	1,320,996
9197 Cooper Crescent, Edmonton	1	358,625
4511 A & B 56th Ave., Wetaskiwin	2	342,401
#66, 2215 24 St., Edmonton	1	302,414
10, 6520 2 Avenue SW, Edmonton	1	235,450
	<u>32</u>	<u>8,083,227</u>
<b>HOMES COMPLETED PRIOR TO 2016</b>		
Edmonton	22	5,480,147
Edson	8	1,764,073
Cold Lake	11	1,659,000
Stony Plain	8	1,510,000
St. Albert	5	1,234,902
Sherwood Park	4	1,214,768
Elizabeth Metis Settlement, Cold Lake	3	588,000
Wetaskiwin	2	416,744
Leduc	1	344,616
Spruce Grove	1	309,438
Slave Lake	1	304,694
Fort Saskatchewan	1	279,465
Rocky Mountain House	1	266,553
Hinton	1	222,935
Kikino Metis Settlement	1	211,189
Grand Prairie	1	210,554
Barrhead	1	175,000
	<u>72</u>	<u>16,192,078</u>
	<u>104</u>	<u>\$ 24,275,305</u>

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Schedule of Program Expenses**  
**Year ended December 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>SCHEDULE 2</b>		
<b>FAMILY AND COMMUNITY SUPPORT</b>		
Salaries and benefits	532,392	435,522
Habitat for Humanity Canada tithe	147,500	127,500
Partner Family home expenses	79,741	56,616
Travel	6,473	7,653
Other	49,959	20,238
Allocations to builds	<u>(5,000)</u>	<u>(13,000)</u>
	<u>811,065</u>	<u>634,529</u>
<b>VOLUNTEER SUPPORT</b>		
Salaries and benefits	363,720	372,031
Volunteer meals and other expenses	<u>100,643</u>	<u>126,055</u>
	<u>464,363</u>	<u>498,086</u>
<b>CAPACITY BUILDING</b>		
Salaries and benefits	\$ 242,606	\$ 269,421
Facilities	312,500	366,644
Allocations to builds	<u>(283,236)</u>	<u>(343,721)</u>
	<u>271,870</u>	<u>292,344</u>
<b>INTEREST ON BANK OVERDRAFT AND DEBT</b>		
Interest on debt	627,550	496,810
Interest on bank overdraft	<u>86,585</u>	<u>102,703</u>
	<u>714,135</u>	<u>599,513</u>
	<u>\$ 2,261,433</u>	<u>\$ 2,024,472</u>

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Schedule of ReStore Operations**  
**Year ended December 31, 2016**

**SCHEDULE 3**

	<u>2016</u>	<u>2015</u>
<b>REVENUE</b>		
Sales	\$ 3,339,455	\$ 3,202,114
Other income	<u>16,675</u>	<u>1,404</u>
	<u>3,356,130</u>	<u>3,203,518</u>
<b>EXPENSES</b>		
Salaries and benefits	1,413,083	1,394,727
Facilities	434,332	439,183
Fees and dues	188,077	115,896
Amortization	76,554	105,300
Other	59,377	63,264
Travel	32,852	26,201
Bank charges	32,723	34,163
Advertising and promotion	<u>13,736</u>	<u>18,921</u>
	<u>2,250,734</u>	<u>2,197,655</u>
<b>RESTORE CONTRIBUTION</b>	<u>\$ 1,105,396</u>	<u>\$ 1,005,863</u>
<b>GROSS MARGIN</b>	<u>33%</u>	<u>31%</u>



**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Schedule of General and Administrative Expenses**  
**Year ended December 31, 2016**

**SCHEDULE 4**

	<u>2016</u>	<u>2015</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries and benefits	\$ 1,493,843	\$ 1,497,247
Office	139,471	135,916
Amortization	125,231	129,227
Advertising and promotion	157,283	115,214
Facilities	122,402	100,711
Professional fees	79,168	77,068
Bank charges	42,427	53,619
Habitat for Humanity Canada fees	30,000	30,000
Insurance	28,993	23,907
Travel	<u>33,306</u>	<u>14,857</u>
	<u>\$ 2,252,124</u>	<u>\$ 2,177,766</u>

Total 2016 costs of fundraising of \$519,852 (2015 - \$441,504) are included in General and Administrative Expenses which equates to 3% of donation revenue (2015 - 7%).