

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Financial Statements**  
**For the Year Ended December 31, 2013**



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## **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, 2013, 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. Those 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 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, 2013, any adjustments might be necessary to 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, 2013, and its result of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Comparative Information*

The financial statements of Habitat for Humanity – Edmonton Society as at and for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 7, 2013.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Accountants

March 18, 2014  
Edmonton, Canada

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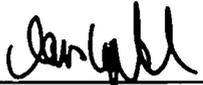
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**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Statement of Financial Position**  
**December 31, 2013, with comparative figures for 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 184,468	\$ 331,205
Cash, restricted	261,200	308,580
Accounts receivable (Note 3)	1,971,660	1,431,672
Other current assets	157,935	95,891
Houses held for sale (Note 6)	27,270,217	19,890,044
Construction in progress (Note 7)	9,164,426	9,810,183
Land for future builds (Note 8)	232,465	220,659
Mortgage receivable, current portion (Note 4)	1,328,340	930,528
	<u>40,570,711</u>	<u>33,018,762</u>
Mortgages receivable (Note 4)	21,623,208	15,372,220
Capital assets (Note 9)	3,458,028	2,626,806
	<u>25,081,236</u>	<u>17,999,026</u>
	<u><b>\$ 65,651,947</b></u>	<u><b>\$ 51,017,788</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Bank overdraft (Note 10)	\$ 3,477,051	\$ 2,397,762
Accounts payable and accrued liabilities	1,137,734	1,316,372
Amounts held on behalf of Partner Families	261,200	302,835
Tenancy deposits	335,850	312,215
Due to Habitat for Humanity affiliates (Note 11)	268,904	503,547
Deferred contributions (Note 12)	2,204,012	1,549,828
Deferred capital contributions, current portion	49,519	36,534
Debt (Note 10)	10,890,717	5,050,458
	<u>18,624,987</u>	<u>11,469,551</u>
Deferred capital contributions	197,791	47,089
	<u>18,822,778</u>	<u>11,516,640</u>
<b>NET ASSETS</b>		
Invested in capital assets	3,256,354	2,543,183
Invested in programs	43,572,815	36,957,965
	<u>46,829,169</u>	<u>39,501,148</u>
	<u><b>\$ 65,651,947</b></u>	<u><b>\$ 51,017,788</b></u>

Commitments (Note 13)

See accompanying notes to the financial statements.

  
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 Chair, Board of Directors

  
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 Chair, Audit and Risk Management Committee

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Statement of Operations**  
**Year ended December 31, 2013, with comparative figures for 2012**

	<u>2013</u>	<u>2012</u>
<b>PROGRAM DELIVERY REVENUE</b>		
Government grants	\$ 5,777,741	\$ 9,038,125
In kind donations	6,052,135	767,593
Other donations and fundraising	2,907,538	2,525,846
Other income	331,843	498,631
	<u>15,069,257</u>	<u>12,830,195</u>
<b>PROGRAM SALES AND COST OF SALES</b>		
House sales	11,615,663	8,490,710
Mortgage discount expense ( <i>Note 4</i> )	(2,976,107)	(1,272,893)
Cost of house sale and building operations	(14,349,738)	(9,307,214)
Mortgage discount income ( <i>Note 4</i> )	700,685	637,860
	<u>(5,009,497)</u>	<u>(1,451,537)</u>
General and Administrative Expenses (Schedule 1)	(3,173,260)	(2,818,219)
<b>PROGRAM DELIVERY CONTRIBUTION</b>	<u><b>6,886,500</b></u>	<u><b>8,560,439</b></u>
<b>RESTORE OPERATIONS</b> (Schedule 2)		
Revenue	2,214,354	2,168,924
Expenses	(1,772,833)	(1,512,641)
	<u>441,521</u>	<u>656,283</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u><b>\$ 7,328,021</b></u>	<u><b>\$ 9,216,722</b></u>

See accompanying notes to the financial statements.

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Statement of Changes in Net Assets**  
**Year ended December 31, 2013, with comparative figures for 2012**

	<b>Invested in Programs</b>	<b>Invested in Capital Assets</b>	<b>2013</b>	<b>2012</b>
Balance, beginning of year	\$ 36,957,965	\$ 2,543,183	\$ 39,501,148	\$ 30,284,426
Excess of revenue over expenses	7,283,322	44,699	7,328,021	9,216,722
Investment in capital assets	(993,445)	993,445	-	-
Amortization of capital assets	324,973	(324,973)	-	-
Balance, end of year	<b>\$ 43,572,815</b>	<b>\$ 3,256,354</b>	<b>\$ 46,829,169</b>	<b>\$ 39,501,148</b>

See accompanying notes to the financial statements.

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Statement of Cash Flows**  
**Year ended December 31, 2013, with comparative figures for 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATIONS:</b>		
Excess of revenue over expenses	\$ 7,328,021	\$ 9,216,722
Non-cash items:		
Mortgage discount expense	2,976,107	1,272,893
Mortgage discount income	(700,685)	(637,860)
Deferred contributions recognized into revenue	(1,499,828)	(341,339)
Construction in kind donations	(5,724,209)	(767,846)
Amortization of capital assets	196,030	134,028
Amortization of deferred capital contributions	(44,699)	(38,829)
Cost of house sale and building operations	<u>2,734,075</u>	<u>798,961</u>
	5,264,812	9,636,730
Change in non-cash working capital:		
Increase in accounts receivable	(539,988)	(1,019,306)
(Increase) decrease in other current assets	(62,044)	167,840
(Decrease) increase in accounts payable and accrued liabilities	(178,638)	222,482
Decrease in amounts held on behalf of Partner Families	(41,635)	(66,417)
Increase in tenancy deposits	585,467	433,186
(Decrease) increase in due to Habitat for Humanity Affiliates	(234,643)	503,547
Increase in deferred contributions	2,154,012	1,549,828
Increase in capital contributions	<u>208,386</u>	<u>-</u>
	<u>1,890,917</u>	<u>1,791,160</u>
	7,155,729	11,427,890
<b>INVESTMENTS:</b>		
Purchase of capital assets	(1,156,195)	(849,044)
Mortgage payments received	1,119,932	806,664
Mortgage buybacks	(195,549)	(101,529)
Home construction costs	(13,435,670)	(10,518,186)
Land acquisition and servicing	<u>(601,912)</u>	<u>(3,582,845)</u>
	<u>(14,269,394)</u>	<u>(14,244,940)</u>
<b>FINANCING:</b>		
Proceeds (repayments) of bank overdraft	1,079,289	(190,742)
Proceeds from debt	6,600,000	3,455,722
Repayments of loan principal	<u>(759,741)</u>	<u>(288,057)</u>
	<u>6,919,548</u>	<u>2,976,923</u>
<b>(Decrease) increase in cash</b>	<b>(194,117)</b>	<b>159,873</b>
Cash, beginning of year	<u>639,785</u>	<u>479,912</u>
<b>Cash, end of year</b>	<b>\$ 445,668</b>	<b>\$ 639,785</b>
Cash consists of:		
Cash	184,468	331,205
Cash, restricted	<u>261,200</u>	<u>308,580</u>
	<u>\$ 445,668</u>	<u>\$ 639,785</u>

See accompanying notes to the financial statements.

**HABITAT FOR HUMANITY – EDMONTON SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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 operates used building supply stores called “ReStore”.

The Society is incorporated under the *Societies Act* of the Province of Alberta and is a Registered Charity with the Canada Revenue Agency.

The Society’s program is established as follows:

- a) Families meeting eligibility criteria are given occupancy to a Society owned home, making them a “Partner Family”;
- b) Partner Families are considered “Tenants” in the first year until they complete the required criteria to become home owners. During this phase, monthly tenancy deposits are paid to the Society. Tenancy deposits become Partner Family home equity when all required criteria for home ownership are fulfilled and a mortgage is established;
- c) Partner Family’s monthly payments to the Society include amounts for home insurance 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 to Partner Families;
- e) If a Partner Family leaves the program, the Society holds a right of first refusal to purchase homes sold after 2006. When a home is repurchased by the Society, all home equity earned (tenancy deposits, mortgage payments, and security deposits) are repaid to the Partner Family.

**2. SIGNIFICANT ACCOUNTING POLICIES**

- a) Basis of Presentation

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

- b) Cash

Cash consists of cash on hand.

Restricted cash is internally restricted and consists of “Amounts Held on Behalf of Partner Families”.

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Notes to Financial Statements**  
**Year ended December 31, 2013**

c) 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, in the Statement of Operations 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.

d) Houses held for sale

Houses 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 carrying value over net realizable value is expensed in the year in which the impairment is identified.

e) Construction in progress

Construction in progress comprises materials, labor, and other manufacturing costs accumulated to date for houses not yet completed. Construction in progress is valued at the lower of cost and net realizable value.

f) 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.

g) 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:

Buildings, Habitat Center	25 years
Construction equipment	5 years
Automotive equipment	5 years
Office equipment	5 years
Leasehold improvements	Lease term
Retail equipment	5 years

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Notes to Financial Statements**  
**Year ended December 31, 2013**

h) Amounts held on behalf of Partner Families

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

i) 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.

j) 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.

k) 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 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.

House sales are recognized at the date of the first mortgage. Revenue from house sales are recognized when the home mortgage documents are signed representing the transfer of substantially all the rights and responsibilities of ownership.

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

l) Donated Goods and Services

Donated goods to the ReStore are not recorded in these financial statements.

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.

m) Income Taxes

As a registered charity the Society is not subject to income taxes.

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Notes to Financial Statements**  
**Year ended December 31, 2013**

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 on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, 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.

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>2013</u>	<u>2012</u>
Grants receivable	\$ 1,014,695	\$ 1,367,494
Move Up Program	689,561	-
Builder donation	122,060	-
Other receivables	82,473	45,222
Trade receivables	<u>62,871</u>	<u>18,956</u>
	<u>\$ 1,971,660</u>	<u>\$ 1,431,672</u>

The Move Up Program, a home ownership incentive program, was established in 2013 between the City of Fort Saskatchewan, the Society, and other various partners. The Society will act as the administrator of funds to qualifying families.

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Notes to Financial Statements**  
**Year ended December 31, 2013**

**4. MORTGAGES RECEIVABLE**

	<u>2013</u>	<u>2012</u>
Gross mortgage receivable	\$ 29,806,753	\$ 20,882,531
Unamortized mortgage discount	<u>(6,855,205)</u>	<u>(4,579,783)</u>
Present value of mortgage receivable	22,951,548	16,302,748
Less: Current portion	<u>(1,328,340)</u>	<u>(930,528)</u>
Long-term portion	<u>\$ 21,623,208</u>	<u>\$ 15,372,220</u>

At December 31, 2013, 166 (2012 – 124) first mortgage remain outstanding.

The Society uses their prevailing borrowing rate, at the inception of the first mortgage, as the fair value rate used to reflect the first mortgages at approximate market value. The declining balance amortization method is used to recognize the unamortized mortgage discount into income. The assumption that on average mortgage payments increases over the life of the mortgage was also applied.

A mortgage discount expense of \$2,976,107 (2012 – \$1,272,893) was recognized on new mortgages during the year. Deemed interest income during the year is \$700,685 (2012 – \$637,860).

The Society is required to retain each home within the Affordable Housing Pool or certain municipalities, if Government of Alberta – Affordable Housing Program funding was received for that home. In order to meet this commitment, if the Partner Family elects to sell their home, the Society would repurchase these homes for the original price paid by the family less the balance outstanding on their first mortgage.

**5. SECOND MORTGAGES**

Second mortgages, representing 20% of the appraised value of homes sold, relate to properties sold by the Society between 1998 and 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; between 12 year and 25 years a predetermined discounted repayment is required; and after 25 years the mortgage is fully forgiven.

At December 31, 2013, 38 (2012 – 41) second mortgages remain totaling \$996,938 (2012 - \$1,188,238). These balances are not reflected in these financial statements.

During 2012 and 2013, there were no second mortgage repayments.

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Notes to Financial Statements**  
**Year ended December 31, 2013**

**6. HOUSES HELD FOR SALE**

At December 31, 2013, the following 117 (2012 – 86) housing units were occupied by Partner Families pursuant to tenancy agreements.

During 2013, 49 (2012 – 38) houses were sold to Partner Families of which \$11,327,415 (2012 - \$8,343,165) is the associated cost of houses sold.

	<u>2013</u>
101-105, 107-108, 201-208, 301-308, 401-408 - 5202 - 49 St, Cold Lake	\$ 7,402,370
1 - 22, 24, 29 - 70 Arlington Dr, St. Albert	5,742,000
1 - 15, 624 41 St, Edson	3,198,000
16, 25 - 32 - 4103 123 Ave, Edmonton	1,933,000
16A,16B,17A,17B,18A,18B,19A,19B - 104 St Elizabeth Metis, Cold Lake	1,635,315
101, 103-105, 107-108, 205 - 4814 57 Ave, Stony Plain	1,344,000
10243, 10245 - 90 St, Edmonton	910,000
4015, 4017, 4123 - 123 Ave NW, Edmonton	827,821
108, 114, 116 - Wellwood Drive, Whitecourt	765,480
63, 65 - 5317 - 3 Ave SW, Edmonton	561,049
14 Springwood Way, Spruce Grove	299,280
25 Dunlop Wynd, Leduc	296,747
69 South Creek Wynd, Stony Plain	295,837
250 Robinson Dr, Leduc	291,904
13 Red Canyon Way, Fort Saskatchewan	267,000
10024 - 96A Ave, Fort Saskatchewan	240,000
14, 14729 - 32 St NW, Edmonton	230,000
7842, 7848 - Mission Heights Dr, Grande Prairie	230,000
105 Ambleside Dr SW, Edmonton	215,000
11405 - 96 St NW, Edmonton	212,961
11610 - 127 Ave NW, Edmonton	190,000
4724 - 57 Ave, Wetaskiwin	182,454
	<u>\$ 27,270,217</u>

**7. CONSTRUCTION IN PROGRESS**

At December 31, 2013, there are 69 (2012 – 115) homes in construction in progress.

**8. LAND FOR FUTURE BUILDS**

At December 31, 2013, there are 6 (2012 – 5) units of land for future builds.

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Notes to Financial Statements**  
**Year ended December 31, 2013**

**9. CAPITAL ASSETS**

	Cost	Accumulated Amortization	Net Book Value	
			2013	2012
Land and building, Habitat Center	\$ 2,765,811	\$ 470,378	\$ 2,295,433	\$ 1,983,832
Construction equipment	796,292	299,942	\$496,350	111,077
Automotive equipment	589,805	333,683	\$256,122	174,322
Office equipment	396,239	264,014	\$132,225	242,411
Leasehold improvements	305,421	82,362	\$223,059	78,234
Retail equipment	144,654	89,815	\$54,839	36,931
	<u>\$ 4,998,222</u>	<u>\$ 1,540,194</u>	<u>\$ 3,458,028</u>	<u>\$ 2,626,806</u>

Amortization of construction equipment during the year, \$128,943 (2012 - \$95,132) is recognized as a cost of the build and thus is not reflected in the Statement of Operations. Total amortization recognized during the year is \$324,973 (2012 - \$229,160).

**10. BANK OVERDRAFT AND DEBT**

Authorized loan facilities, with Canadian Western Bank, totaling \$19,000,000 (2012 - \$14,000,000) are as follows;

	2013	2012
Demand revolving reducing fixed term loan, authorized \$12,500,000, interest at 5 year residential mortgage rate minus 0.50% per annum, over 20 years by advance, secured by a demand promissory notes, and assignment of specific Partner Family mortgages;	\$ 10,710,717	\$ 4,750,458
Demand overdraft, authorized \$6,000,000, interest at prime plus 0.25% per annum paid monthly, secured by a General Security Agreement covering all property;	3,477,051	2,397,762
CMHC Advances, non-interest bearing, repayable on demand;	180,000	300,000
Demand revolving loan, authorized \$500,000, interest at prime plus 0.25% per annum, principle repayable over 12 months, secured by a demand promissory note.	-	-
Total bank overdraft and debt	<u>\$ 14,367,768</u>	<u>\$ 7,448,220</u>

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Notes to Financial Statements**  
**Year ended December 31, 2013**

**10. 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, 2013, the Society had outstanding letters of credit, totaling \$763,130 (2012 - \$793,130). These letters of credit were issued in the normal course of operations, including the guarantee of certain land.

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 \$25,000,000

As at December 31, 2013, the Society complies with the terms and covenants in relation to its debt.

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

2014	\$	378,805
2015		397,113
2016		410,214
2017		423,746
2018		437,725
Thereafter		<u>8,663,114</u>
	\$	<u>10,710,717</u>

**11. 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 the 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, 2013**

**12. DEFERRED CONTRIBUTIONS**

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

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 1,549,828	\$ 341,339
Contributions	6,431,925	10,302,433
Amount recognized as income	<u>(5,777,741)</u>	<u>(9,093,944)</u>
	<u>\$ 2,204,012</u>	<u>\$ 1,549,828</u>

**13. COMMITMENTS**

a) Minimum annual base lease payments are as follows:

2014	\$ 146,727
2015	88,583
Thereafter	<u>21,600</u>
	<u>\$ 256,910</u>

**14. RIGHT OF FIRST REFUSAL**

In 2006, the Society included a clause into 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 sales price of the home to the Partner Family less any outstanding balances on the related mortgage.

During 2013, 7 (2012 – 5) homes were repurchased from Partner Families, of these homes \$195,549 (2012 – \$101,529) home equity was repaid.

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**15. HABITAT FOR HUMANITY CANADA FEES**

The Society remits payments for national programs and initiatives based on the number of builds, ReStore sales, and gifts in kind administered nationally. The Society remitted a tithe fee of \$2,500 for 73 (2012 – 63) completed builds during the year less Global Village fees. Fees incurred during the year, consists of the following:

	2013	2012
Tithe fees	\$ 182,500	\$ 157,500
ReStore fees	36,157	64,802
Gift in kind fees	18,003	22,210
Annual fee	10,000	2,500
	\$ 246,660	\$ 247,012

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

**16. FUND-RAISING ACT DISCLOSURE**

The following information complies with the disclosure requirements of the *Alberta Charitable Fund-Raising Act* and Regulation. Gross contributions received in 2013 as a result of solicitation were \$183,465 (2012 - \$125,701). Expenses incurred for the purpose of soliciting contributions were \$10,651 (2012 - \$11,864). Remuneration to employees whose principal duties involve fundraising is \$244,274 (2012 – \$171,272), all of which are completed covered by ReStore income.

**17. FINANCIAL RISK**

The Society is not exposed to significant market, currency or other price risk through its financial instruments.

Credit risk

The Society is exposed to credit risk in the event of non-payment of mortgages by the Partner Families or from non-collection of accounts receivable. Management believes that the credit risk from non-collection of mortgages is minimal 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.

Liquidity risk

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

Interest rate 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.

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**18. GOVERNMENT REMITTANCES**

At year-end there are government remittance payables of \$162,915 (2012 - \$52,839).

**19. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation.

**GENERAL AND ADMINISTRATIVE EXPENSES****SCHEDULE 1**

	<u>2013</u>	<u>2012</u>
Salaries and benefits	\$ 1,680,045	\$ 1,546,892
Office	280,681	246,443
Interest on long term debt	242,978	102,507
Habitat for Humanity Canada fees	228,657	224,802
Professional fees	126,400	148,903
Interest on bank overdraft	111,624	105,178
Facilities	76,880	55,593
Fundraising direct event costs	75,511	83,095
Amortization of capital assets	71,019	39,380
Bank charges	67,400	76,640
Travel	63,435	45,967
Contracted services	60,084	49,387
Advertising and promotion	55,949	60,434
Repairs and maintenance	32,597	32,998
	<u>\$ 3,173,260</u>	<u>\$ 2,818,219</u>

**RESTORE OPERATIONS****SCHEDULE 2**

	<u>2013</u>	<u>2012</u>
REVENUE		
Sales	\$ 2,193,389	\$ 2,110,048
Other income	20,965	55,818
Grants	-	3,058
	<u>2,214,354</u>	<u>2,168,924</u>
EXPENSES		
Salaries and benefits	1,239,459	1,090,410
Facilities	192,954	172,682
Amortization of capital assets	125,011	94,648
Advertising and promotion	87,101	75,323
Office	76,191	40,859
Bank charges	23,163	19,869
Travel	20,437	14,996
Insurance	8,517	3,854
	<u>1,772,833</u>	<u>1,512,641</u>
RESTORE CONTRIBUTION	<u>\$ 441,521</u>	<u>\$ 656,283</u>
GROSS MARGIN	<u>20%</u>	<u>30%</u>