

Financial Statements of

**HABITAT FOR HUMANITY -
EDMONTON SOCIETY**

Year ended December 31, 2014



KPMG LLP
Chartered Accountants
10125 – 102 Street
Edmonton AB T5J 3V8
Canada

Telephone (780) 429-7300
Fax (780) 429-7379
Internet www.kpmg.ca

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, 2014, 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 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, 2014, 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, 2014, 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.

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 wavy line that extends to the right.

Chartered Accountants

March 17, 2015

Edmonton, Canada

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Table of Contents
December 31, 2014

	<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	5-15
Schedule of Homes Held for Sale	16
Schedule of Expenses	17
Schedule of ReStore Operations	18

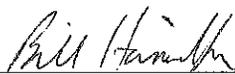
HABITAT FOR HUMANITY – EDMONTON SOCIETY
Statement of Financial Position
December 31, 2014 with comparative information for 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash	\$ 128,712	\$ 445,668
Cash, restricted	686,082	-
Accounts receivable (Note 3)	1,325,820	1,971,660
Other current assets	275,030	157,935
Mortgages receivable, current portion (Note 4)	2,099,659	1,328,340
Homes held for sale (Note 6)	26,422,352	27,270,217
Construction in progress (Note 7)	7,318,978	9,164,426
Land for future builds (Note 8)	1,568,060	232,465
	<u>39,824,693</u>	<u>40,570,711</u>
Mortgages receivable (Note 4)	28,772,190	21,623,208
Capital assets (Note 9)	3,013,335	3,458,028
	<u>31,785,525</u>	<u>25,081,236</u>
	<u>\$ 71,610,218</u>	<u>\$ 65,651,947</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Bank overdraft (Note 10)	\$ 3,634,593	\$ 3,477,051
Accounts payable and accrued liabilities (Note 20)	1,105,776	1,137,734
Amounts held on behalf of Partner Families	376,620	261,200
Tenancy deposits	517,771	335,850
Due to Habitat for Humanity affiliates (Note 18)	161,343	268,904
Deferred contributions (Note 11)	1,908,836	2,204,012
Deferred capital contributions, current portion (Note 12)	52,818	49,519
Debt, current portion (Note 10)	14,996,013	10,890,717
	<u>22,753,770</u>	<u>18,624,987</u>
Deferred capital contributions (Note 12)	143,452	197,791
Debt (Note 10)	31,907	-
	<u>22,929,129</u>	<u>18,822,778</u>
NET ASSETS		
Invested in capital assets	2,731,581	3,210,718
Invested in programs	45,949,508	43,618,451
	<u>48,681,089</u>	<u>46,829,169</u>
	<u>\$ 71,610,218</u>	<u>\$ 65,651,947</u>

Commitments (Note 13)
See accompanying notes to the financial statements.



Chair, Board of Directors



Chair, Audit and Risk Committee

HABITAT FOR HUMANITY – EDMONTON SOCIETY

Statement of Operations

Year ended December 31, 2014 with comparative information for 2013

	2014	2013
REVENUE		
Government grants	\$ 2,589,771	\$ 5,777,741
In kind donations	3,196,640	6,052,135
Other donations and fundraising	2,463,026	2,907,538
Other income	475,124	331,843
	<u>8,724,561</u>	<u>15,069,257</u>
SALES AND COST OF SALES		
Home sales	13,172,125	11,615,663
Mortgage discount income (Note 4)	862,483	700,685
Cost of home sales and building operations	(15,272,324)	(14,349,738)
Mortgage discount expense (Note 4)	(3,242,745)	(2,976,107)
	<u>(4,480,461)</u>	<u>(5,009,497)</u>
EXPENSES (Schedule 2)		
General and administrative	(2,206,008)	(2,234,416)
Program	(618,080)	(579,022)
Capacity building	(210,124)	(5,220)
Interest on bank overdraft and debt	(532,952)	(354,602)
	<u>(3,567,164)</u>	<u>(3,173,260)</u>
	<u>676,936</u>	<u>6,886,500</u>
RESTORE OPERATIONS (Schedule 3)		
Revenue	3,192,170	2,214,354
Expenses	(2,043,954)	(1,772,833)
	<u>1,148,216</u>	<u>441,521</u>
PREFAB CONTRIBUTION CENTER		
Revenue	70,000	-
Expenses	(43,232)	-
	<u>26,768</u>	<u>-</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 1,851,920</u>	<u>\$ 7,328,021</u>

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2014 with comparative information for 2013

	Invested in Programs	Invested in Capital Assets	2014	2013
Balance, beginning of year	\$ 43,618,451	\$ 3,210,718	\$ 46,829,169	\$ 39,501,148
Excess of revenue over expenses	1,800,880	51,040	1,851,920	7,328,021
Investment in capital assets	(10,586)	10,586	-	-
Amortization of capital assets	455,279	(455,279)	-	-
Capital lease obligation	85,484	(85,484)	-	-
Balance, end of year	\$ 45,949,508	\$ 2,731,581	\$ 48,681,089	\$ 46,829,169

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Statement of Cash Flows
Year Ended December 31, 2014 with comparative information for 2013

	2014	2013
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Excess of revenue over expenses	\$ 1,851,920	\$ 7,328,021
Non-cash items:		
Mortgage discount expense	3,242,745	2,976,107
Mortgage discount income	(862,483)	(700,685)
Construction in kind donations	(3,196,640)	(5,724,209)
Amortization of capital assets	245,557	196,030
Amortization of deferred capital contributions	(51,040)	(44,699)
Excess building costs over home sales	2,100,199	2,734,075
	<u>3,330,258</u>	<u>6,764,640</u>
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	645,840	(539,988)
(Increase) in other current assets	(117,095)	(62,044)
(Decrease) in accounts payable and accrued liabilities	(31,958)	(178,638)
Increase (decrease) in amounts held on behalf of Partner Families	115,420	(41,635)
Increase in tenancy deposits	657,407	585,467
(Decrease) in due to Habitat for Humanity affiliates	(107,561)	(234,643)
(Decrease) increase in deferred contributions	(295,176)	654,184
Increase in capital contributions	-	208,386
	<u>866,877</u>	<u>391,089</u>
	<u>4,197,135</u>	<u>7,155,729</u>
INVESTMENTS:		
Purchase of capital assets	(10,586)	(1,156,195)
Mortgage payments received	1,518,230	1,119,932
Mortgage buybacks and payouts, net	(136,825)	(195,549)
Home construction costs	(7,578,953)	(13,435,670)
Land acquisition and servicing	(1,914,620)	(601,912)
	<u>(8,122,754)</u>	<u>(14,269,394)</u>
FINANCING:		
Proceeds of bank overdraft	157,542	1,079,289
Proceeds from debt	4,975,493	6,600,000
Repayments of debt principal	(838,290)	(759,741)
	<u>4,294,745</u>	<u>6,919,548</u>
Increase (decrease) in cash	369,126	(194,117)
Cash, beginning of year	<u>445,668</u>	<u>639,785</u>
Cash, end of year	<u>\$ 814,794</u>	<u>\$ 445,668</u>
Cash consists of:		
Cash	128,712	445,668
Cash, restricted	686,082	-
	<u>\$ 814,794</u>	<u>\$ 445,668</u>

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY – EDMONTON SOCIETY

Notes to Financial Statements

Year ended December 31, 2014

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 also started a pilot project called the Prefab Contribution Center which uses the excess capacity available in the Prefab shop to build walls and floors for third parties.

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

The Society’s 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 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 a Partner Family;
- e) If a Partner Family leaves the program, the Society holds a right of first refusal to purchase a home sold to a Partner Family after 2006. 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.

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) Controlled Entities

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

HABITAT FOR HUMANITY – EDMONTON SOCIETY

Notes to Financial Statements

Year ended December 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 obligation is recorded 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, 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.

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). Homes held for sale is valued at the lower of cost or net realizable value and any excess carrying value over net realizable value is expensed in the year in which the impairment is identified.

f) Construction in Progress

Construction in progress comprises materials, labor, 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 carrying value 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.

HABITAT FOR HUMANITY – EDMONTON SOCIETY

Notes to Financial Statements

Year ended December 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Center	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.

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 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 which transfers substantially all the rights and responsibilities of ownership.

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

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

HABITAT FOR HUMANITY – EDMONTON SOCIETY

Notes to Financial Statements

Year ended December 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

HABITAT FOR HUMANITY – EDMONTON SOCIETY

Notes to Financial Statements

Year ended December 31, 2014

3. ACCOUNTS RECEIVABLE

	2014	2013
Grants receivable	\$ 870,676	\$ 1,014,695
Builder donation	183,000	122,060
Due from Condominium Corporations (<i>Note 16</i>)	108,008	11,933
Other receivables	80,195	70,540
Trade receivables	75,151	62,871
Move Up Program	8,790	689,561
	<u>\$ 1,325,820</u>	<u>\$ 1,971,660</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 acts as the administrator of funds to qualifying families. During the year, one payment was issued for \$8,790 (2013 – nil).

4. MORTGAGES RECEIVABLE

	2014	2013
Gross mortgages receivable	\$ 40,107,316	\$ 29,806,753
Unamortized mortgage discount	<u>(9,235,467)</u>	<u>(6,855,205)</u>
Present value of mortgages receivable	30,871,849	22,951,548
Less: Current portion	<u>(2,099,659)</u>	<u>(1,328,340)</u>
Long-term portion	<u>\$ 28,772,190</u>	<u>\$ 21,623,208</u>

At December 31, 2014, 212 (2013 – 166) first mortgages remain outstanding.

The Society uses its prevailing borrowing rate, at the inception of the first mortgages, 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 increase over the lives of the mortgages was also applied.

A mortgage discount expense of \$3,242,745 (2013 – \$2,976,107) was recognized on new mortgages during the year. Deemed interest income during the year is \$862,483 (2013 – \$700,685).

The Society is required to retain each home within the affordable housing pool for 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 the home for the original price paid by the family less the balance outstanding on the first mortgage.

HABITAT FOR HUMANITY – EDMONTON SOCIETY

Notes to Financial Statements

Year ended December 31, 2014

5. 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, 2014, 37 (2013 – 38) second mortgages remain totaling \$938,528 (2013 - \$996,938). These balances are not reflected in these financial statements.

During 2014 there was 1 (2013 – nil) second mortgage repayment.

6. HOMES HELD FOR SALE

During 2014, 53 (2013 – 49) homes were sold to Partner Families of which \$12,896,502 (2013 - \$11,327,415) is the associated cost of homes sold.

At December 31, 2014, 108 (2013 – 117) homes were available for occupancy by Partner Families pursuant to tenancy agreements (Schedule 1).

7. CONSTRUCTION IN PROGRESS

At December 31, 2014, there were 51 (2013 – 69) homes in construction in progress.

8. LAND FOR FUTURE BUILDS

At December 31, 2014, there were 25 (2013 – 6) units of land for future builds.

9. CAPITAL ASSETS

			Net Book Value	
	Cost	Accumulated Amortization	2014	2013
Land	\$ 235,000	\$ -	\$ 235,000	\$ 351,000
Building, Habitat Center	2,196,780	546,201	1,650,579	1,944,433
Construction equipment	946,754	447,232	499,522	496,350
Leasehold improvements	440,533	157,612	282,921	223,059
Automotive equipment	593,070	397,443	195,627	256,122
Office equipment	432,020	315,654	116,366	132,225
Retail equipment	142,923	109,603	33,320	54,839
	<u>\$ 4,987,080</u>	<u>\$ 1,973,745</u>	<u>\$ 3,013,335</u>	<u>\$ 3,458,028</u>

Amortization of construction equipment and equipment under capital lease during the year of \$209,722 (2013 - \$128,943) is recognized as build costs and thus is not reflected in the Statement of Operations. Total amortization recognized during the year is \$455,279 (2013 - \$324,973).

HABITAT FOR HUMANITY – EDMONTON SOCIETY

Notes to Financial Statements

Year ended December 31, 2014

10. BANK OVERDRAFT AND DEBT

Amounts outstanding on authorized loan facilities with Canadian Western Bank, totaling \$24,000,000 (2013 - \$19,000,000), as well as a third party capital lease and CMHC advances, are as follows:

	<u>2014</u>	<u>2013</u>
Demand revolving reducing fixed term loan, authorized \$17,500,000, interest at 5 year residential mortgage rate minus 0.50% per annum, over 20 years in advance, secured by demand promissory notes and assignment of specific Partner Family mortgages;	\$ 14,842,436	\$ 10,710,717
Demand overdraft, authorized \$6,500,000, interest at prime plus 0.25% per annum paid monthly, secured by a General Security Agreement covering all property;	3,634,593	3,477,051
CMHC advances, non-interest bearing, repayable on demand;	100,000	180,000
Capital lease, authorized \$129,062, implied interest at 13.25%, maturing in June 2016, secured by the equipment;	<u>85,484</u>	<u>-</u>
	<u>\$ 18,662,513</u>	<u>\$ 14,367,768</u>
Bank overdraft	\$ 3,634,593	\$ 3,477,051
Current portion of debt	14,996,013	10,890,717
Long-term portion of debt	<u>31,907</u>	<u>-</u>
	<u>\$ 18,662,513</u>	<u>\$ 14,367,768</u>

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, 2014, the Society had outstanding letters of credit, totaling \$744,130 (2013 - \$763,130).

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 \$30,000,000

HABITAT FOR HUMANITY – EDMONTON SOCIETY

Notes to Financial Statements

Year ended December 31, 2014

10. BANK OVERDRAFT AND DEBT (Continued)

As at December 31, 2014, 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 fixed term loan will be exercised. Assuming payment of the fixed term loan is not demanded. Scheduled principal payments required for the next five years on the fixed term loan and capital lease are due as follows:

2015	\$	633,455
2016		630,911
2017		618,767
2018		639,179
2019		660,264
Thereafter		<u>11,745,344</u>
	\$	<u><u>14,927,920</u></u>

11. DEFERRED CONTRIBUTIONS

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

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 2,204,012	\$ 1,549,828
Contributions	2,294,595	6,431,925
Recognized as revenue	<u>(2,589,771)</u>	<u>(5,777,741)</u>
Balance, end of year	<u>\$ 1,908,836</u>	<u>\$ 2,204,012</u>

12. DEFERRED CAPITAL CONTRIBUTIONS

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

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 247,310	\$ 83,623
Contributions	-	208,386
Recognized as revenue	<u>(51,040)</u>	<u>(44,699)</u>
Balance, end of year	196,270	247,310
Less: Current portion	<u>(52,818)</u>	<u>(49,519)</u>
Long-term portion	<u>\$ 143,452</u>	<u>\$ 197,791</u>

HABITAT FOR HUMANITY – EDMONTON SOCIETY

Notes to Financial Statements

Year ended December 31, 2014

13. COMMITMENTS

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

2015	\$	781,335
2016		697,552
2017		697,552
2018		697,552
2019		365,547
Thereafter		<u>2,400</u>
	\$	<u>3,241,938</u>

14. RIGHT OF FIRST REFUSAL

Beginning 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 sale price of the home to the Partner Family less any outstanding balances on the related mortgage.

During 2014, 5 (2013 – 7) homes were repurchased from Partner Families, resulting in home equity repayments totaling \$194,120 (2013 – \$195,549).

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 38 (2013 – 73) completed builds during the year. Fees incurred during the year, consists of the following:

	<u>2014</u>	<u>2013</u>
Tithe fees	\$ 95,000	\$ 182,500
ReStore fees	44,304	36,157
Build gift in kind fees	51,213	18,003
Annual fee	<u>33,500</u>	<u>10,000</u>
	<u>\$ 224,017</u>	<u>\$ 246,660</u>

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

HABITAT FOR HUMANITY – EDMONTON SOCIETY

Notes to Financial Statements

Year ended December 31, 2014

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; no interest or repayment terms exist.

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

At December 31, 2014, total liabilities include \$108,008 (2013 – \$11,933) which is due to the Society (Note 3).

Combined financial summaries of these unconsolidated entities as at December 31, 2014 and 2013 and for the years then ended are as follows:

	2014	2013
Financial Position		
Total assets	\$ 93,357	\$ 61,773
Total liabilities	\$ 108,008	\$ 39,326
Total net assets	(14,651)	22,447
	\$ 93,357	\$ 61,773
Results from Operations		
Total revenue	\$ 354,598	\$ 188,307
Total expenses	(391,697)	(230,058)
Deficiency in revenue over expenses	\$ (37,099)	\$ (41,751)
Cash Flows		
Cash from (used in) operations	\$ 59,393	\$ (43,463)
Cash used in financing and investing activities	-	-
Increase (decrease) in cash	\$ 59,393	\$ (43,463)

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 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, 2014

18. 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 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.

19. GOVERNMENT REMITTANCES

Included in accounts payable and accrued liabilities at year-end are government remittance payables of \$13,049 (2013 - \$162,915).

20. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the current year's presentation.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Schedule of Homes Held for Sale
Year ended December 31, 2014

SCHEDULE 1

	<u>2014</u>
7-31 11403 17 Ave., Edmonton	\$ 6,919,000
101-103,105-108,201-208,301-308 5202 49 St., Cold Lake	5,675,000
1-15 624 41 St., Edson	3,198,000
1,3-4,7, 9-10,12,16 70 Arlington Dr., St Albert	1,903,000
16A,16B,18A,18B,19A,19B 104 St., Elizabeth Metis, Cold Lake	1,258,883
101,104-105,107-108,205 4814 57 Ave., Stony Plain	1,104,000
17, 27 Red Canyon Way, Fort Saskatchewan	551,537
14227,14231 63 St., Edmonton	530,000
12318,12324 128 Ave., Edmonton	490,000
1907 119 St., Edmonton	375,000
8305 Ellis Crescent, Edmonton	365,724
10701,10703 108 Ave., Fairview	365,687
2029 Westerra Loop, Stony Plain	344,213
3425 120 Ave., Edmonton	330,000
134 Gilmore Way, Spruce Grove	306,753
52 5317 3 Ave., Edmonton	299,663
69 South Creek Wynd, Stony Plain	299,272
25 Dunlop Wynd, Leduc	297,657
13 Red Canyon Way, Fort Saskatchewan	269,597
7842,7848 Mission Heights Dr., Grande Prairie	245,777
14,14729 32 St., Edmonton	230,075
106 4814 57 Ave., Stony Plain	224,000
3304 Graybriar Greens, Stony Plain	215,408
16 4103 123 Ave., Edmonton	212,000
1,14729 32 St., Edmonton	209,717
4718 57 Ave., Wetaskiwin	202,387
	<u>\$ 26,422,352</u>

HABITAT FOR HUMANITY – EDMONTON SOCIETY**Schedule of Expenses**

Year ended December 31, 2014

SCHEDULE 2

	2014	2013
GENERAL AND ADMINISTRATIVE		
Salaries and benefits	\$ 1,452,776	\$ 1,387,317
Advertising and promotion	157,074	167,145
Office	136,617	153,330
Amortization	122,625	72,113
Habitat for Humanity Canada fees	77,804	46,601
Professional fees	74,255	166,002
Facilities	71,028	104,339
Bank charges	40,592	67,400
Travel	38,882	32,588
Insurance	34,355	37,581
	<u>2,206,008</u>	<u>2,234,416</u>
PROGRAM		
Salaries and benefits	450,232	335,425
Habitat for Humanity Canada tithe	95,000	182,500
Partner Family home expenses	40,214	35,865
Contracted services	37,677	17,204
Travel	27,341	41,807
Other	8,866	221
Allocations to builds	(41,250)	(34,000)
	<u>618,080</u>	<u>579,022</u>
CAPACITY BUILDING		
Salaries and benefits	211,525	158,488
Facilities	173,562	20,657
Allocations to builds	(174,963)	(273,925)
	<u>210,124</u>	<u>5,220</u>
INTEREST ON BANK OVERDRAFT AND DEBT		
Interest on debt	421,352	242,978
Interest on bank overdraft	111,600	111,624
	<u>532,952</u>	<u>354,602</u>
	<u>\$ 3,567,164</u>	<u>\$ 3,173,260</u>

Program consists of costs incurred to develop and manage rural committee based builds, Family Services costs and tithing fees to Habitat for Humanity Canada to support international builds.

Capacity building consists of costs related to the excess capacity of prefab facility and prefab staff not directly allocated to builds.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Schedule of ReStore Operations
Year ended December 31, 2014

SCHEDULE 3

	<u>2014</u>	<u>2013</u>
REVENUE		
Sales	\$ 3,072,677	\$ 2,193,389
Other income	119,493	20,965
	<u>3,192,170</u>	<u>2,214,354</u>
EXPENSES		
Salaries and benefits	1,451,140	1,239,459
Facilities	310,100	192,954
Amortization	122,932	125,011
Advertising and promotion	25,816	87,101
Office	63,412	76,191
Bank charges	34,388	23,163
Travel	22,734	20,437
Insurance	13,432	8,517
	<u>2,043,954</u>	<u>1,772,833</u>
RESTORE CONTRIBUTION	<u>\$ 1,148,216</u>	<u>\$ 441,521</u>
GROSS MARGIN	<u>36%</u>	<u>20%</u>