

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Financial Statements**  
**For the Year Ended December 31, 2015**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

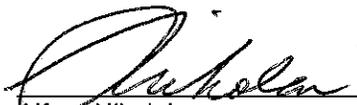
The accompanying financial statements for the year ended December 31, 2015 are the responsibility of management and have been reviewed and approved by senior management. The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and of necessity 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.



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

March 15, 2016



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

Telephone (780) 429-7300  
Fax (780) 429-7379  
Internet [www.kpmg.ca](http://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, 2015, 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, 2015, 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, 2015, 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.

*KPMG LLP*

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 Professional Accountants

March 15, 2016

Edmonton, Canada

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
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**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Statement of Financial Position**  
**December 31, 2015 with comparative information for 2014**

	2015	2014
<b>ASSETS</b>		
Current assets		
Cash	\$ 56,258	\$ 128,712
Cash, restricted	691,936	686,082
Accounts receivable (Note 3)	1,441,681	1,325,820
Other current assets	434,544	275,030
Mortgages receivable, current portion (Note 4)	1,158,337	1,241,250
Homes held for sale (Note 6)	24,188,108	26,422,352
Construction in progress (Note 7)	4,382,495	7,318,978
Land for future builds (Note 8)	1,441,550	1,568,060
	33,794,909	38,966,284
Mortgages receivable (Note 4)	37,659,289	29,630,599
Capital assets (Note 9)	2,640,085	3,013,335
	40,299,374	32,643,934
	<b>\$ 74,094,283</b>	<b>\$ 71,610,218</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Bank overdraft (Note 10)	\$ 3,016,132	\$ 3,634,593
Accounts payable and accrued liabilities	829,204	1,105,776
Amounts held on behalf of Partner Families	392,646	376,620
Tenancy deposits	383,087	517,771
Due to Habitat for Humanity affiliates (Note 18)	-	161,343
Deferred contributions (Note 11)	2,315,737	1,908,836
Deferred capital contributions, current portion (Note 12)	45,621	52,818
Debt, current portion (Note 10)	19,105,443	14,996,013
	26,087,870	22,753,770
Deferred capital contributions (Note 12)	97,831	143,452
Debt (Note 10)	-	31,907
	97,831	175,359
<b>NET ASSETS</b>		
Invested in capital assets	2,464,726	2,731,581
Invested in programs	45,443,856	45,949,508
	47,908,582	48,681,089
	<b>\$ 74,094,283</b>	<b>\$ 71,610,218</b>

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

  
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Chair, Board of Directors

  
\_\_\_\_\_  
Chair, Audit and Risk Committee

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Statement of Operations**  
**Year ended December 31, 2015 with comparative information for 2014**

	2015	2014
<b>REVENUE</b>		
Government grants <i>(Note 11)</i>	\$ 2,800,627	\$ 2,589,771
In kind donations <i>(Note 14)</i>	642,274	3,196,640
Other donations and fundraising	2,178,006	2,463,026
Other income	480,282	475,124
	6,101,189	8,724,561
<b>SALES AND COST OF SALES</b>		
Home sales	16,137,871	13,172,125
Mortgage discount income <i>(Note 4)</i>	1,730,896	862,483
Cost of home sales and building operations	(18,278,916)	(14,807,724)
Mortgage discount expense <i>(Note 4)</i>	(3,280,416)	(3,242,745)
	(3,690,565)	(4,015,861)
<b>PROGRAM EXPENSES</b> <i>Schedule 2</i>		
Capacity building	(292,344)	(210,124)
Volunteer support	(498,086)	(464,600)
Family and community support	(634,529)	(618,080)
Interest on bank overdraft and debt	(599,513)	(532,952)
	(2,024,472)	(1,825,756)
	<b>386,152</b>	<b>2,882,944</b>
<b>RESTORE OPERATIONS</b> <i>Schedule 3</i>		
Revenue	3,203,518	3,192,170
Expenses	(2,197,655)	(2,043,954)
	<b>1,005,863</b>	<b>1,148,216</b>
<b>PREFAB CONTRIBUTION CENTRE</b>		
Revenue	122,709	70,000
Expenses	(109,465)	(43,232)
	<b>13,244</b>	<b>26,768</b>
<b>GENERAL AND ADMINISTRATIVE</b> <i>Schedule 4</i>	(2,177,766)	(2,206,008)
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ (772,507)</b>	<b>\$ 1,851,920</b>

See accompanying notes to the financial statements.

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2015 with comparative information for 2014**

	Invested in Programs	Invested in Capital Assets	2015	2014
Balance, beginning of year	\$ 45,949,508	\$ 2,731,581	\$ 48,681,089	\$ 46,829,169
(Deficiency) Excess of revenue over expenses	(825,325)	52,818	(772,507)	1,851,920
Investment in capital assets	(60,117)	60,117	-	-
Amortization of capital assets	433,367	(433,367)	-	-
Capital lease repayments	(53,577)	53,577	-	-
Balance, end of year	<b>\$ 45,443,856</b>	<b>\$ 2,464,726</b>	<b>\$ 47,908,582</b>	<b>\$ 48,681,089</b>

See accompanying notes to the financial statements.

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Statement of Cash Flows**  
**Year Ended December 31, 2015 with comparative information for 2014**

	2015	2014
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATIONS:</b>		
(Deficiency) excess of revenue over expenses	\$ (772,507)	\$ 1,851,920
Non-cash items:		
Amortization of capital assets	433,367	455,279
Amortization of deferred capital contributions	(52,818)	(51,040)
	(391,958)	2,256,159
Change in non-cash working capital:		
(Increase) decrease in accounts receivable	(115,861)	645,840
(Increase) in other current assets	(159,514)	(117,095)
Decrease in homes held for sale	2,234,244	847,865
Decrease in construction in progress	2,936,483	1,845,448
Decrease (increase) in land for future builds	126,510	(1,335,595)
(Decrease) in accounts payable and accrued liabilities	(276,572)	(31,958)
Increase in amounts held on behalf of Partner Families	16,026	115,420
(Decrease) increase in tenancy deposits	(134,684)	181,921
(Decrease) in due to affiliates	(161,343)	(107,561)
Increase (decrease) in deferred contributions	406,901	(295,176)
	4,872,190	1,749,109
	4,480,232	4,005,268
<b>INVESTMENTS:</b>		
(Increase) in mortgage receivable	(7,945,777)	(7,920,301)
Purchase of capital assets	(60,117)	(10,586)
	(8,005,894)	(7,930,887)
<b>FINANCING:</b>		
Proceeds of bank overdraft	(618,461)	157,542
Proceeds from debt	5,000,000	4,975,493
Repayments of debt principal	(922,477)	(838,290)
	3,459,062	4,294,745
<b>(Decrease) increase in cash</b>	<b>(66,600)</b>	<b>369,126</b>
Cash, beginning of year	814,794	445,668
<b>Cash, end of year</b>	<b>\$ 748,194</b>	<b>\$ 814,794</b>
Cash consists of:		
Cash	56,258	128,712
Cash, Restricted	691,936	686,082
	<b>\$ 748,194</b>	<b>\$ 814,794</b>

See accompanying notes to the financial statements.

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2015

### 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 and is a registered charity with the 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 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 on or 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;
- 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;

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2015

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

- 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;
- 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 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.

#### 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.

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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). 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.

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 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.

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

#### 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

	2015	2014
Grants receivable	\$ 1,139,290	\$ 870,676
Other receivables	172,894	263,195
Trade receivables	120,707	75,151
Move Up Program	8,790	8,790
Due from Condominium Corporations ( <i>Note 19</i> )	-	108,008
	<u>\$ 1,441,681</u>	<u>\$ 1,325,820</u>

The Move Up Program is 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, no payments were issued (2014 - \$8,790).

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2015

### 4. MORTGAGES RECEIVABLE

	2015	2014
Gross mortgages receivable	\$ 49,602,612	\$ 40,107,316
Unamortized mortgage discount	<u>(10,784,986)</u>	<u>(9,235,467)</u>
Present value of mortgages receivable	38,817,626	30,871,849
Less: Current portion	<u>(1,158,337)</u>	<u>(1,241,250)</u>
Long-term portion	<u>\$ 37,659,289</u>	<u>\$ 29,630,599</u>

At December 31, 2015, 250 (2014 - 212) first mortgages remain outstanding.

A mortgage discount expense of \$3,280,416 (2014 - \$3,242,745) was recognized on new mortgages during the year. Deemed interest income during the year is \$1,730,896 (2014 - \$862,483).

### 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, 2015, 34 (2014 - 36) second mortgages remain totaling \$813,228 (2014 - \$883,528). These balances are reflected at a fair value of \$0.

During 2015 there were 2 (2014 - 1) second mortgage repayments.

### 6. HOMES HELD FOR SALE

During 2015, 64 (2014 - 53) homes were sold to Partner Families of which \$15,819,663 (2014 - \$13,113,502) is the associated cost of homes sold.

At December 31, 2015, 98 (2014 - 108) homes were occupied or available for occupancy by Partner Families pursuant to tenancy agreements (Schedule 1).

### 7. CONSTRUCTION IN PROGRESS

At December 31, 2015, there were 32 (2014 - 51) homes in construction in progress.

### 8. LAND FOR FUTURE BUILDS

At December 31, 2015, there were 24 (2014 - 25) units of land for future builds.

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2015

### 9. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2015	2014
Land	\$ 235,000	\$ -	\$ 235,000	\$ 235,000
Building, Habitat Centre	2,199,752	622,074	1,577,678	1,650,579
Construction equipment	971,737	587,903	383,834	499,522
Leasehold improvements	441,760	237,894	203,866	282,921
Automotive equipment	554,759	416,685	138,074	195,627
Office equipment	446,535	365,812	80,723	116,366
Retail equipment	148,357	127,447	20,910	33,320
	<u>\$ 4,997,900</u>	<u>\$ 2,357,815</u>	<u>\$ 2,640,085</u>	<u>\$ 3,013,335</u>

Amortization of construction equipment and equipment under capital lease during the year of \$198,840 (2014 - \$209,722) 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 \$433,367 (2014 - \$455,279).

### 10. BANK OVERDRAFT AND DEBT

Amounts outstanding on authorized loan facilities with Canadian Western Bank, totaling \$29,000,000 (2014 - \$24,000,000), as well as a third party capital lease and CMHC advances, are as follows:

	2015	2014
Demand revolving reducing fixed term loan, authorized \$22,500,000, 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;	\$ 18,973,536	\$ 14,842,436
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;	3,016,132	3,634,593
CMHC advances, non-interest bearing, repayable on demand;	100,000	100,000
Capital lease, authorized \$129,062, implied interest at 13.25%, maturing in June 2016, secured by the equipment;	31,907	85,484
	<u>\$ 22,121,575</u>	<u>\$ 18,662,513</u>
Bank overdraft	\$ 3,016,132	\$ 3,634,593
Current portion of debt	19,105,443	14,996,013
Long-term portion of debt	-	31,907
	<u>\$ 22,121,575</u>	<u>\$ 18,662,513</u>

# HABITAT FOR HUMANITY – EDMONTON SOCIETY

## Notes to Financial Statements

Year ended December 31, 2015

### 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, 2015, the Society had outstanding letters of credit, totaling \$485,130 (2014 - \$744,130).

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

As at December 31, 2015, 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:

2016	\$	871,693
2017		864,897
2018		890,759
2019		917,395
2020		944,827
Thereafter		<u>14,515,872</u>
	\$	<u><u>19,005,443</u></u>

### 11. DEFERRED CONTRIBUTIONS

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

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 1,908,836	\$ 2,204,012
Contributions	3,298,032	2,294,595
Recognized as revenue (government grants)	(2,800,627)	(2,589,771)
Recognized as revenue (other)	<u>(90,504)</u>	<u>-</u>
Balance, end of year	<u><u>\$ 2,315,737</u></u>	<u><u>\$ 1,908,836</u></u>

## HABITAT FOR HUMANITY – EDMONTON SOCIETY

### Notes to Financial Statements

Year ended December 31, 2015

#### 12. DEFERRED CAPITAL CONTRIBUTIONS

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

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 196,270	\$ 247,310
Recognized as other revenue	<u>(52,818)</u>	<u>(51,040)</u>
Balance, end of year	143,452	196,270
Less: Current portion	<u>(45,621)</u>	<u>(52,818)</u>
Long-term portion	<u><u>\$ 97,831</u></u>	<u><u>\$ 143,452</u></u>

#### 13. COMMITMENTS

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

2016	\$ 788,952
2017	789,181
2018	783,852
2019	365,547
2020	2,400
Thereafter	<u>-</u>
	<u><u>\$ 2,729,932</u></u>

#### 14. IN KIND DONATIONS

In kind donations of \$67,000 (2014 - \$2,762,620) for land and land leases and \$575,274 (2014 - \$434,020) for construction materials were received in the year.

#### 15. 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 2015, 24 (2014 - 5) homes were repurchased from Partner Families, resulting in home equity repayments totaling \$772,740 (2014 - \$194,120).

## HABITAT FOR HUMANITY – EDMONTON SOCIETY

### Notes to Financial Statements

Year ended December 31, 2015

#### 16. 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>2015</u>	<u>2014</u>
Mortgage payments	\$ 2,028,434	\$ 1,616,217
Rental payments recognized as income	62,630	42,250
Tenancy payments	<u>620,750</u>	<u>657,407</u>
	2,711,814	2,315,874
Second mortgage payouts (Note 5)	<u>56,800</u>	<u>55,000</u>
	<u>\$ 2,768,614</u>	<u>\$ 2,370,874</u>

#### 17. 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 35 (2014 - 38) completed builds during the year and 16 buybacks (2015 now includes qualifying buybacks). Fees incurred during the year consists of the following:

	<u>2015</u>	<u>2014</u>
Tithe fees	\$ 127,500	\$ 95,000
ReStore fees	116,377	44,304
Build gift in kind fees	49,659	51,213
Annual fee	<u>30,000</u>	<u>33,500</u>
	<u>\$ 323,536</u>	<u>\$ 224,017</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.

#### 18. 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, 2015

### 19. 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 is recorded at cost.

At December 31, 2015, the Society's payables include \$9,070 due to condominium corporations (2014 - receivable of \$108,008).

Combined financial summaries of these unconsolidated entities as at December 31, 2015 and 2014 and for the years then ended are as follows:

	2015	2014
<b>Financial Position</b>		
Total assets	\$ 334,758	\$ 93,357
Total liabilities	\$ 11,124	\$ 108,008
Total net assets	323,634	(14,651)
	\$ 334,758	\$ 93,357
<b>Results from Operations</b>		
Total revenue	\$ 664,716	\$ 354,598
Total expenses	(326,432)	(391,697)
Excess (Deficiency) in revenue over expenses	\$ 338,284	\$ (37,099)
<b>Cash Flows</b>		
Cash from operations	\$ 158,459	\$ 59,393
Cash used in financing and investing activities	-	-
Increase in cash	\$ 158,459	\$ 53,393

### 20. 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.

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.

## **HABITAT FOR HUMANITY – EDMONTON SOCIETY**

### **Notes to Financial Statements**

**Year ended December 31, 2015**

#### **20. FINANCIAL RISK (Continued)**

##### 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.

#### **21. GOVERNMENT REMITTANCES**

Included in accounts payable and accrued liabilities at year-end are government remittance payables of \$53,114 (2014 - \$13,049).

#### **22. 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, 2015**

**SCHEDULE 1**

	<u>2015</u>
<b>NEW HOMES COMPLETED IN 2015</b>	
33-38, 39-47, 57-65 11403 17 Ave., Edmonton (24 Homes)	\$ 6,488,000
Kikino Metis Settlement (4 Homes)	1,015,090
916, 1004 10 Ave., SE Slave Lake (2 Homes)	587,535
10619, 10621 108 Ave., Fairview (2 Homes)	464,641
354, 356 Boutin Ave., Hinton (2 Homes)	385,300
11 McLean Court Leduc (1 Home)	<u>335,071</u>
	9,275,637
<b>HOMES COMPLETED PRIOR TO 2015</b>	
Edmonton (19 Homes)	4,908,481
Cold Lake (9 Homes)	2,186,000
Stony Plain (9 Homes)	1,880,175
St Albert (5 Homes)	1,174,000
Edson (5 Homes)	1,061,204
Elizabeth Metis, Cold Lake (5 Homes)	980,000
Sherwood Park (2 Homes)	588,777
Whitecourt (2 Homes)	513,660
Fairview (2 Homes)	411,714
Spruce Grove (1 Home)	306,923
Fort Saskatchewan (1 Home)	282,123
Hinton (1 Home)	218,800
Wetaskiwin (1 Home)	205,614
Barrhead (1 Home)	<u>195,000</u>
	<u>14,912,471</u>
	<u>\$ 24,188,108</u>

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Schedule of Program Expenses**  
**Year ended December 31, 2015**

	<b>SCHEDULE 2</b>	
	2015	2014
<b>CAPACITY BUILDING</b>		
Salaries and benefits	\$ 269,421	\$ 211,525
Facilities	366,644	173,562
Allocations to builds	(343,721)	(174,963)
	<u>292,344</u>	<u>210,124</u>
<b>VOLUNTEER SUPPORT</b>		
Salaries and benefits	372,031	343,373
Volunteer meals and other expenses	126,055	121,227
	<u>498,086</u>	<u>464,600</u>
<b>FAMILY AND COMMUNITY SUPPORT</b>		
Salaries and benefits	435,522	450,232
Habitat for Humanity Canada tithe	127,500	95,000
Partner Family home expenses	56,616	40,214
Contracted services	-	37,677
Travel	7,653	27,341
Other	20,238	8,866
Allocations to builds	(13,000)	(41,250)
	<u>634,529</u>	<u>618,080</u>
<b>INTEREST ON BANK OVERDRAFT AND DEBT</b>		
Interest on debt	496,810	421,352
Interest on bank overdraft	102,703	111,600
	<u>599,513</u>	<u>532,952</u>
	<u>\$ 2,024,472</u>	<u>\$ 1,825,756</u>

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Schedule of ReStore Operations**  
**Year ended December 31, 2015**

	<b>SCHEDULE 3</b>	
	<u>2015</u>	<u>2014</u>
<b>REVENUE</b>		
Sales	\$ 3,202,114	\$ 3,072,677
Other income	1,404	119,493
	<u>3,203,518</u>	<u>3,192,170</u>
<b>EXPENSES</b>		
Salaries and benefits	1,394,727	1,454,657
Facilities	439,183	318,645
Fees and dues	115,896	3,508
Amortization	105,300	122,932
Other	63,264	54,717
Bank charges	34,163	34,388
Travel	26,201	29,023
Advertising and promotion	18,921	26,084
	<u>2,197,655</u>	<u>2,043,954</u>
<b>RESTORE CONTRIBUTION</b>	<u>\$ 1,005,863</u>	<u>\$ 1,148,216</u>
<b>GROSS MARGIN</b>	<u>31%</u>	<u>36%</u>

**HABITAT FOR HUMANITY – EDMONTON SOCIETY**  
**Schedule of General and Administrative Expenses**  
**Year ended December 31, 2015**

	<b>SCHEDULE 4</b>	
	<u>2015</u>	<u>2014</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries and benefits	\$ 1,497,247	\$ 1,452,776
Office	135,916	136,617
Amortization	129,227	122,625
Advertising and promotion	115,214	157,074
Facilities	100,711	71,028
Professional fees	77,068	74,255
Bank charges	53,619	40,592
Habitat for Humanity Canada fees	30,000	77,804
Insurance	23,907	34,355
Travel	14,857	38,882
	<u>\$ 2,177,766</u>	<u>\$ 2,206,008</u>

Total 2015 costs of fundraising of \$441,504 (2014 - \$494,298) are included in General and Administrative Expenses which equates to 7% of donation revenue (2014 – 6%).