

Consolidated Financial Statements of

**HABITAT FOR HUMANITY
SOUTHERN ALBERTA SOCIETY**

Year ended December 31, 2015



KPMG LLP
205-5th Avenue SW
Suite 3100, Bow Valley Square 2
Calgary AB
T2P 4B9

Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Habitat for Humanity Southern Alberta Society

We have audited the accompanying consolidated financial statements of Habitat for Humanity Southern Alberta Society, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of operations and 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Habitat for Humanity Southern Alberta Society as at December 31, 2015, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

A handwritten signature in black ink that reads 'KPMG LLP'.

Chartered Professional Accountants

April 20, 2016
Calgary, Canada

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Consolidated Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Cash	\$ 653,407	\$ 2,023,041
Restricted cash (note 3)	689,372	790,168
Cash held in trust by others (note 4)	–	584,774
Investments (note 5)	526,051	500,932
Accounts receivable	163,402	45,502
Prepaid expenses and deposits	385,373	90,000
Projects under development (note 6)	5,820,984	4,109,230
Projects held for sale (note 7)	1,335,525	2,849,927
Inventory for construction projects	40,236	74,318
First mortgages receivable (note 8)	27,741,396	21,539,716
PEAK second mortgages receivable (note 9)	3,239,038	3,383,782
Property and equipment (note 10)	113,405	143,127
	<u>\$ 40,708,189</u>	<u>\$ 36,134,517</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities (note 11)	\$ 765,235	\$ 478,098
Capital lease obligation (note 12)	–	12,281
Evergreen term loan (note 13)	1,084,353	–
Evergreen line of credit (note 13)	1,307,205	2,407,844
Mortgage prepayments	–	32,741
Deferred revenue (note 14)	535,652	610,959
PEAK program liability (note 15)	3,676,222	4,173,950
High River housing program (note 16)	295,000	–
Land purchase liability (note 17)	533,597	–
	<u>8,197,264</u>	<u>7,715,873</u>
Net assets:		
Internally restricted	525,936	500,817
Unrestricted	31,984,989	27,917,827
	<u>32,510,925</u>	<u>28,418,644</u>
Commitments and contingencies (note 19)		
	<u>\$ 40,708,189</u>	<u>\$ 36,134,517</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Brenda Fischer – Director



David Barber - Director

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Consolidated Statement of Operations and Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Revenues:		
Sale of projects	\$ 7,698,780	\$ 2,840,692
ReStore sales	3,106,258	2,923,955
ReStore donated goods for resale	3,402,860	3,388,254
Fundraising revenue (note 20)	2,190,418	1,753,822
Gifts-in-kind donations (note 20)	1,070,644	401,285
Grants (note 20)	918,942	1,693,444
Interest and other	116,018	68,458
	<u>18,503,920</u>	<u>13,069,910</u>
Expenses:		
ReStore donated goods for resale	3,402,860	3,388,254
Cost of projects sold	6,361,338	2,622,447
Program delivery	1,024,748	1,592,389
ReStore expenses	1,698,555	1,443,805
General and administrative	1,430,329	1,363,156
Fundraising expenses	365,406	489,181
Amortization on property and equipment	51,241	75,453
Interest and other	22,000	2,802
	<u>14,356,477</u>	<u>10,977,487</u>
Excess of revenues over expenses before the following:	4,147,443	2,092,423
Change in unrealized (loss) gain on investment	(55,162)	21,304
Excess of revenues over expenses	<u>4,092,281</u>	<u>2,113,727</u>
Net assets, beginning of year	28,418,644	26,304,917
Net assets, end of year	<u>\$ 32,510,925</u>	<u>\$ 28,418,644</u>

See accompanying notes to consolidated financial statements.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Consolidated Statement of Cash Flow

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Excess of revenue over expenses	\$ 4,092,281	\$ 2,113,727
Cash provided by (used in):		
Operations:		
Items not affecting cash from operations		
Amortization of property and equipment	51,241	75,453
Realized gain on sale of investments	(60,132)	(7,443)
Unrealized loss (gain) on investments	55,162	(21,304)
Loss (gain) on sale of property and equipment	1,516	(1,500)
	4,140,068	2,158,933
Net change in non-cash balances:		
Accounts receivable	(117,900)	46,403
Prepaid expenses and deposits	(295,373)	100,451
Projects under development	(1,711,754)	476,793
Projects held for sale	1,514,402	(616,436)
Inventory	34,082	(74,318)
Mortgages granted	(7,569,036)	(2,719,500)
Payments, buybacks, cancellations	1,367,356	1,510,688
PEAK second mortgage receivables	144,744	353,835
Accounts payable and accrued liabilities	287,137	(1,422,218)
Long term liabilities	533,597	-
Mortgage prepayments	(32,741)	(596)
	(1,705,418)	(185,965)
Investments:		
Investments	(20,149)	(17,372)
Purchase of property and equipment	(23,035)	(2,952)
Proceeds on sale of investments	-	10,180
Land and real estate held for sale	-	610,000
	(43,184)	599,856
Financing:		
Capital lease obligation payments	(12,281)	(6,845)
Evergreen revolving loans	(16,286)	1,647,844
High River Housing Program	295,000	-
PEAK program liability	(497,728)	(254,762)
Deferred revenue	(75,307)	(35,673)
	(306,602)	1,350,564
(Decrease) increase in cash, restricted cash and cash held in trust by others	(2,055,204)	1,764,455
Cash, restricted cash and cash held in trust by others, beginning of year	3,397,983	1,633,528
Cash, restricted cash and cash held in trust by others, end of year	\$ 1,342,779	\$ 3,397,983

See accompanying notes to consolidated financial statements.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements

Year ended December 31, 2015, with comparative information for 2014

Nature of operations:

Habitat for Humanity Southern Alberta Society (the "Society") was incorporated without share capital under the Societies Act of Alberta on August 15, 1990. The Society has received tax-exempt status as a registered charitable organization under the Canadian Income Tax Act.

The primary objective of the Society is to work within Southern Alberta in advancing the interests of the economically disadvantaged, by constructing or renovating homes for the working-poor and providing non-interest bearing mortgages to enable them to purchase such homes. Prospective homeowners contribute "sweat equity" before taking ownership.

The Society formed 1458573 Alberta Ltd. ("1458573") as a wholly owned subsidiary in April 2009 to provide retail services for the gift-in-kind donations received by the Society. As of January 1, 2014, the social enterprise moved to the Society and is operated by the Society. The funds derived from the sale of product are used to offset administration costs of the Society.

1. Significant accounting policies:

(a) Basis of presentation and consolidation:

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These consolidated financial statements include the 100% owned subsidiary 1458573 Alberta Ltd.

(b) Revenue recognition:

Revenue from sale of properties is recognized when the homeowner signs the mortgage documents. The Society provides the homeowner an interest free first mortgage in the amount of the sale proceeds.

Habitat for Humanity Canada changed the national mortgage policy effective May 1, 2010 whereby the home will be sold to the partner family at fair market value. Prior to this policy change, home sale proceeds reflected the actual costs of land and construction.

Second mortgages are provided, when necessary, for the amount between fair value and cost. Family partner agreements signed prior to May 1, 2010, have, if applicable, forgivable second mortgages and are not recorded on the financial statements. Family partner agreements signed post May 1, 2010, have, if applicable, unforgivable second mortgages and are recorded as revenue at the time of home sale.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 2

Year ended December 31, 2015, with comparative information for 2014

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

ReStore revenue is recognized when the customer purchases and pays for product.

PEAK administrative revenue is recognized as the units are sold and the Society has received the purchase contract and down payment deposit from the program partner.

Donations for which the donor has specified a particular purpose are deferred and recognized when that purpose has been accomplished.

Contributions restricted for the purchase of property and equipment is recognized at the time property and equipment is purchased.

Donated land, inventory and material, which would otherwise be paid for by the Society, are recognized in the financial statements at fair market value when the value can be reasonably estimated.

Donated investments are recognized at fair market value when received by the Society.

Grants are recognized as revenue when a commitment occurs and the amount has a strong likelihood of receipt.

(c) Restricted cash:

Restricted cash is managed by the Society on behalf of the Trico Charitable Foundation and the Alberta Government, for the Public Essential and Key Workforce (PEAK) Mortgage Program. Funds are distributed in the form of non-repayable monthly mortgage subsidies and interest-free second mortgages for program clients.

(d) Investments:

Investments are carried at fair market value which represents the last closing price, net of broker fees. Changes in unrealized gains and losses are disclosed in the Statement of Operations.

(e) Land and real estate held for sale:

Land and real-estate held for sale is carried at the lower of cost and net realizable value.

(f) Projects held for sale and under development:

Projects held for sale are carried at the lower of cost and net realizable value. Payments received from prospective homeowners under "tenancy-at-will" agreements are held by the Society to be applied against the outstanding mortgage balance upon sale of the home. Projects under development are carried at cost.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 3

Year ended December 31, 2015, with comparative information for 2014

1. Significant accounting policies (continued):

(g) Inventory for construction projects:

Inventory consists of construction materials, and is valued at the lower of cost and net realizable value. Cost is determined on a specific item costing basis.

(h) Mortgages receivable:

Prior to the change in the National Mortgage Policy, projects were sold to homeowners at the cost of construction and financed by interest-free first mortgages. Second mortgages represented the difference in value between the fair market value and the cost to build the home and were forgivable, subject to certain conditions, over a period of 25 to 30 years. Post policy change, mortgage values are determined based on the appraised market value of the home. Second mortgages, if applicable, are no longer forgivable for those family partnership agreements issued after May 1, 2010. In the normal course, it is not anticipated that any proceeds will be received from second mortgages for those family partnership agreements issued prior to May 1, 2010; thus, no value is attributed to them in these financial statements.

Forgivable second mortgages dating prior to May 1, 2010 aggregating \$3,715,185 on 60 units (2014 - \$3,744,686 on 61 units) expire at the end of the 25 to 50 year terms. As at December 31, 2015, there are no unforgivable second mortgages recorded on the Statement of Financial Position.

(i) Property and equipment:

Property and equipment is stated at cost. Contributed property and equipment is recorded at fair market value at the date of contribution. If fair market value cannot be reasonably determined, such contributions are not recorded. Depreciation is calculated over the estimated useful lives of the assets using the methods and rates indicated below. Rates applied in the year of purchase are calculated at one half of the stated rate:

Asset	Method and rate
Automotive and trailers	20% - 30% declining balance
Computer equipment	20% - 30% declining balance
Construction mobile equipment	20% - 30% declining balance
Construction tools and equipment	20% declining balance
Office equipment and ReStore furniture	20% declining balance
Leasehold Improvements	5 years straight line

(j) 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.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 4

Year ended December 31, 2015, with comparative information for 2014

1. Significant accounting policies (continued):

(j) Financial instruments (continued):

All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

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.

(k) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates may include donated items, the recoverability and useful life of property and equipment, land and real estate held for sale and projects under development.

(l) Allocation of fundraising/general administration expenses:

The Society classifies expenses on the Statement of Operations by function. The Society does not allocate expenses between functions on the statement of operations.

2. Financial instruments and related risks:

(a) Fair value of financial assets and financial liabilities:

Financial instruments include cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, capital lease obligation and demand loan and approximate their carrying value because of the short-term nature of these instruments or interest rates being comparable to market rates.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 5

Year ended December 31, 2015, with comparative information for 2014

2. Financial instruments and related risks (continued):

(a) Fair value of financial assets and financial liabilities (continued):

The fair market value of first mortgages receivable and PEAK mortgages is not determinable, as no comparable market exists. Investments are stated at their fair value on a portfolio basis based on closing prices for publicly traded securities and quoted prices for fixed rate investments.

(b) Credit risk:

The Society is exposed to credit risk in the event of non-payment of mortgages receivable. Credit exposure is minimized by holding the properties as security. Cash is held in respectable Canadian commercial banks.

(c) Interest rate risk:

Interest rate risk arises from the Society's holdings of fixed income securities. As interest rates fluctuate, the fair value of these securities will be impacted.

(d) Liquidity risk:

Liquidity risk is the risk the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no changes to the risk exposures from 2014.

3. Restricted cash:

The Society records restricted cash as per the contractual agreements outlined in the Affordable Housing (PEAK) Program Grants dated May 15, 2010 (Milano), June 7, 2011 (Laredo Cochrane) and August 31, 2011 (York 29), for funds committed and expended for client properties as summarized below:

	2015	2014
Milano restricted cash remaining (Schedule 1)	\$ 79,070	\$ 210,670
Laredo Cochrane restricted cash remaining	7,000	18,600
York 29 restricted cash remaining (Schedule 1)	121,400	200,400
Viridian restricted cash remaining	315,844	—
Sustainability fund (Schedule 1)	166,035	360,498
Net of interest and charges	23	—
Balance, end of year	\$ 689,372	\$ 790,168

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 6

Year ended December 31, 2015, with comparative information for 2014

4. Land and real estate held for sale:

In 2014, the Society sold the land held in Langdon, Alberta. The proceeds of the sale, less real estate commissions were included in cash held in trust by others. The funds were used in 2015 to purchase land. This use of funds was approved by the original donor.

	2015	2014
Balance, beginning of year	\$ -	\$ 610,000
Less:		
Sale of land	-	610,000
Balance, end of year	\$ -	\$ -

5. Investments:

The Society invested \$250,000 with the Calgary Foundation in 2005 to fund commitments made under a ground lease agreement entered into for the purposes of a development project (note 19(b)) and has revised its contribution commitment to 20% of the monthly mortgage payments received in relation to the project until the total investment reaches \$500,000. The Society is not required to make a contribution to the Repurchase Fund as it has reached its target balance. The fair market value of these investments at December 31, 2015 is \$525,936 (2014 - \$500,817) and cost at December 31, 2015 remains at \$318,700 (2014 - \$318,700). In 2015, the Society held unrestricted investments with a fair market value of \$115 (2014 - \$115).

	2015	2014
Calgary Foundation - repurchase fund	\$ 525,936	\$ 500,817
Other investments	115	115
Balance, end of year	\$ 526,051	\$ 500,932

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 7

Year ended December 31, 2015, with comparative information for 2014

6. Projects under development:

	2015	2014
Balance, beginning of the year	\$ 4,109,230	\$ 4,586,023
Project cost during the year	5,861,758	1,813,939
	9,970,988	6,399,962
Less:		
Direct project cost expensed	–	(49,761)
Completed project costs transferred to projects held for sale (note 7)	(4,150,004)	(2,240,971)
Balance, end of year	\$ 5,820,984	\$ 4,109,230

During the year, the Society capitalized interest of \$66,803 (2014 - \$35,823) to projects.

7. Projects held for sale:

Project unit buybacks include repayments of mortgage amounts received from homeowners in the amount of \$600,116 (2014 - \$713,000).

	2015	2014
Balance, beginning of year	\$ 2,849,927	\$ 2,233,491
Add:		
Costs of completed new projects transferred from projects under development (note 6)	4,150,004	2,240,971
Project unit buybacks	600,116	713,000
	7,600,047	5,187,462
Less:		
Direct costs of projects sold during the year	(6,264,522)	(2,337,535)
Balance, end of year	\$ 1,335,525	\$ 2,849,927

8. First mortgages receivable:

Non-interest bearing first mortgages are for 20 to 55 year terms and secured by the related land and building. New mortgages valued at \$7,569,035 (2014 - \$2,719,500) were issued during the year. Annual average mortgage repayments aggregate approximately \$897,850 (2014 - \$823,000).

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 8

Year ended December 31, 2015, with comparative information for 2014

8. First mortgages receivable (continued):

Net mortgage repayments expected over the next five years are as follows:

2016	\$ 960,685
2017	957,946
2018	947,767
2019	939,020
2020	931,904

9. PEAK second mortgages receivable:

Second mortgages are for 20 year terms and secured by the related land and building. These mortgages are non-interest bearing for the first 5 years, with interest accruing at 5%, compounded annually thereafter. No payments are required for 20 years or until the homeowner sells their home. A mortgage reduction of \$6,000 is available if the second mortgage is repaid within 10 years of the original mortgage adjustment date. In 2015, nine Milano units began to accrue interest totaling \$2,164 (2014 - \$nil).

10. Property and equipment:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Automotive – capital lease	\$ 37,377	\$ 37,377	-	-
Automotive and trailers	100,960	85,122	15,838	13,206
Computer equipment	76,065	63,833	12,232	17,477
Construction mobile equipment	97,424	82,381	15,043	16,937
Construction tools and equipment	8,274	8,169	105	131
Office equipment and ReStore furniture	94,971	77,793	17,178	21,471
Leasehold improvements	257,208	204,199	53,009	73,905
	634,902	521,497	113,405	143,127
	\$ 672,279	\$ 558,874	\$ 113,405	\$ 143,127

11. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$17,903 (2014 - \$4,013), which includes amounts payable for GST and payroll related taxes.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 9

Year ended December 31, 2015, with comparative information for 2014

12. Capital lease obligation:

In 2011, the Society entered into a finance contract to lease a vehicle. The lease was purchased in 2015 and there are no remaining principal payments for the lease (2014 - \$12,281). The lease bears interest at 7.9%.

13. Credit facilities:

The Society has available a \$1,000,000 operating loan facility to be used for general operations. This facility bears interest at bank's prime rate per annum (2014 – greater of 3% per annum or the bank's prime rate). The facility has not been utilized as of December 31, 2015 (December 31, 2014 - \$nil).

The Society has available a \$10,000,000 Evergreen credit facility, of which \$2,391,558 was utilized at December 31, 2015 (2014 - \$2,407,844).

	2015	2014
Evergreen term loan	\$ 1,084,353	\$ -
Evergreen line of credit	1,307,205	2,407,844
Balance, end of year	\$ 2,391,558	\$ 2,407,844

The Evergreen line of credit bears interest at bank's prime rate plus 0.75% per annum during the first 24 months with interest paid monthly. After two years, the Evergreen term loan is amortized over 18 years bearing interest at bank's prime rate plus 0.5% and monthly payments of principal and interest commence. The loan may be prepaid in whole or in part at any time without penalty. The facility is used for interim financing for the acquisition of land for residential construction purposes, interest and predevelopment costs.

The Evergreen term loan principal payments for the next 5 years are as follows:

2016	\$ 54,185
2017	52,794
2018	54,509
2019	56,279
2020	58,106

The Society also has available a \$1,000,000 credit facility to be used for the issuance of Letters of Credit in support of municipal utility and other similar obligations. This facility accrues interest at bank's prime rate plus 1% per annum if drawn. Note 19(d) discloses the amount that has been written on this facility however it has not been drawn upon as of December 31, 2015 (December 31, 2014 - \$nil).

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 10

Year ended December 31, 2015, with comparative information for 2014

13. Evergreen revolving loan (continued):

Security on these facilities consists of a General Security Agreement providing a security interest over all present and after acquired personal property and a floating charge on all lands.

The banking facilities available to the Society are subject to certain financial and non-financial covenants including meeting minimum ratios. As at December 31, 2015, the Society is in compliance with all such covenants.

14. Deferred revenue:

The Society received cash donations, grants, sponsorships and gift-in-kind during the year which have been deferred for future use.

	2015	2014
Balance, beginning of year	\$ 610,959	\$ 646,632
Amounts received	479,961	965,942
Amounts recognized as revenue in the year	(555,268)	(1,001,615)
Balance, end of year	\$ 535,652	\$ 610,959

15. PEAK program liability:

The PEAK program liability is comprised of the following amounts managed by the Society on behalf of Trico Foundation and the Alberta Government:

	2015	2014
Restricted cash Milano Project	\$ 209,688	\$ 500,954
Milano mortgages receivable	1,715,228	2,069,602
Milano program liability	1,924,916	2,570,556
Restricted cash Laredo Cochrane Project	7,000	18,600
Laredo Cochrane mortgages receivable	13,500	18,000
Laredo Cochrane program liability	20,500	36,600
Restricted cash York 29 Project	156,817	270,614
York 29 mortgages receivable	1,213,145	1,296,180
York 29 program liability	1,369,962	1,566,794
Restricted cash Viridian Project	360,844	-
Viridian mortgages receivable	-	-
Viridian program liability	360,844	-
Total PEAK program liability	\$ 3,676,222	\$ 4,173,950

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 11

Year ended December 31, 2015, with comparative information for 2014

15. PEAK program liability (continued):

As mortgages are repaid by homeowners, the funds repaid from the second mortgage, as well as any interest received, is distributed to the sustainability fund in accordance with the terms of the funding agreement.

The sustainability fund is to be used as follows: 50% to support future PEAK Homeownership projects and 50% to support the Society's traditional build model through the fund for humanity.

16. High River housing program:

The Society has entered into a partnership with the Red Cross Society and Rempel Homes to provide assistance to flood displaced families in High River. This agreement provided down payment assistance of \$29,500 per family for ten families against the purchase price of a new home.

17. Land purchase liability:

In 2015, the Society purchased 6 lots from Ravenswood Developments to build two – triplexes in Airdrie, Alberta for a total purchase price of \$666,996. The remaining balance of \$533,597 will be due on the closing date of January 16, 2017 or from the first mortgage draw, whichever comes first. Interest is at 0% per annum until June 16, 2016. Commencing June 17, 2016, interest will be calculated at bank's prime rate plus 2% per annum until the closing date. Any outstanding balance after the due date will be calculated at prime plus 8% per annum.

18. Related party transactions:

The Society is an affiliate of Habitat for Humanity Canada. Habitat for Humanity is a global partnership, and in recognition of this, each affiliate is committed to contribute at least 10% of its non-designated cash contributions to international work. All funds received have been designated for local operations and construction therefore the Society is contributing a discretionary contribution of \$25,000 in 2015 (2014 - \$25,000). The Society's contribution assists Habitat for Humanity International's work. During the year, the Society paid ReStore royalties of \$92,788 (2014 - \$29,238), affiliation fees of \$225,265 (2014 - \$127,765) to Habitat for Humanity Canada. In 2015, the Society received \$221,551 in cash donations, grants and sponsorships (2014 - \$267,397) in addition to \$452,610 in gifts-in-kind (2014 - \$83,033) from Habitat for Humanity Canada. The amount due at year-end to Habitat for Humanity Canada is \$57,273 (2014 - \$49,209) and included within accounts payable and accrued liabilities.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 12

Year ended December 31, 2015, with comparative information for 2014

19. Commitments and contingencies:

- (a) The Society is committed to payments under 3 operating leases for office and store space, furniture and computer equipment. The future minimum commitments are as follows:

2016	\$ 491,756
2017	488,252
2018	461,563
2019	480,060
2020	380,945
Thereafter	48,767

- (b) The Society has entered into a renewable 99-year ground lease (the "lease") for the purposes of the development of a 27 unit (Suncourt) townhouse project. The lease became effective July 1, 2003 with annual rental payments in the amount of \$20,000. The lease provides for an adjustment every 30 years to the annual rental based on the lesser of 4% of the fair market value of the land under lease, excluding improvements, and \$60,000. The lease specifies that the Society must use the land solely and exclusively for the purposes of alleviating the problem of a lack of affordable housing for low-income families in Calgary, Alberta (see note 5).

The Society has committed to repurchase all units back from owners and fund these commitments through the Calgary Foundation. There was no unit buybacks in 2015 (2014 - \$nil). Net income earned by the fund in 2015 amounted to \$80,281 (2014 - income of \$24,890). The fair value of the investment at December 31, 2015 is \$525,936 (2014 - \$500,817) and cost at December 31, 2015 remains at \$318,700 (2014 - \$318,700).

- (c) The Society entered into a renewable 99 year ground lease ("Sheftel Lease") with the Calgary Community Land Trust, for the purposes of the development of a 12 unit townhouse project in north-west Calgary. The lease became effective February 25, 2008 with annual rental payments in the amount of \$10,800. The lease provides for an adjustment every 15 years (Rent Adjustment Date) to the annual rental based on 4% of the fair market value of the land under lease, excluding improvements. The lease specifies that the Society must use the land solely and exclusively for the purpose of alleviating the problem of a lack of affordable housing for low-income families in Calgary, Alberta. Due to this specification, the Society has committed to repurchase all units back from owners and fund these commitments through the Calgary Foundation in the future.
- (d) The Society issues letters of credit through its financial institution to provide guarantees to certain vendors. The balance of outstanding letters of credit is \$586,539 (2014 - \$30,000).

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 13

Year ended December 31, 2015, with comparative information for 2014

20. Fundraising revenue, gift-in-kind donations and grants:

	2015	2014
Donations	\$ 1,276,581	\$ 735,571
Other fundraising	913,837	1,018,251
Fundraising revenue	2,190,418	1,753,822
Gifts-in-kind donations	1,070,644	401,285
Grants	918,942	1,693,444
	\$ 4,180,004	\$ 3,848,551

Donations are monetary gifts received and may be tax receipted under the Income Tax Act. Other fundraising revenue includes sponsorships and special events. In raising \$2,190,418 (2014 - \$3,447,266) in fundraising revenues, the Society incurred \$365,405 (2014 - \$489,182) in fundraising expenses for the purpose of soliciting contributions which includes \$193,921 (2014 - \$152,916) for direct fundraising expenses and \$171,484 (2014 - \$336,266) for employee compensation and benefits.

Gifts-in-kind donations revenue is products donated to the Society for the purposes of construction or fixed assets. Grants are mainly Government of Alberta affordable housing funding.

21. Provincial affordable housing grants:

In accordance with the Affordable Housing Grants Funding Agreement dated June 30, 2011 Article 5, Paragraph D(ii), regarding the release of the final 10% funding holdback, during December 31, 2015, the Habitat for Humanity Southern Alberta Society completed the final 2 (2014 - 6) out of 23 units pertaining to this agreement. The completed properties and related costs as of the end of 2015 are as follows:

Unit 22	\$ 262,454
Unit 23	262,454
	\$ 524,908

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 14

Year ended December 31, 2015, with comparative information for 2014

21. Provincial affordable housing grants (continued):

In accordance with the Affordable Housing Grants Funding Agreement dated August 1, 2013 Article 5, Paragraph D(ii), regarding the release of the final 10% funding holdback, during December 31, 2015, the Habitat for Humanity Southern Alberta Society completed all 14 units pertaining to this agreement. The completed properties and related costs as of the end of 2015 are as follows:

Unit 1	\$ 258,554
Unit 2	258,554
Unit 3	258,554
Unit 4	258,554
Unit 5	258,554
Unit 6	258,554
Unit 7	258,554
Unit 8	258,554
Unit 9	258,554
Unit 10	258,554
Unit 11	258,554
Unit 12	258,554
Unit 13	258,554
Unit 14	258,554
	<hr/>
	\$ 3,619,756

22. Comparative figures:

Certain comparative figures have been reclassified for comparative purposes to conform to current year's financial statement presentation.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

(Formerly Calgary Habitat for Humanity Society)
Schedule of Affordable Housing PEAK Program Restricted Grants

Schedule 1

Year ended December 31, 2015

Milano Project:

For the purposes of the Affordable Housing Program, Grant Funding Dated May 15, 2010, Article 19, Paragraph C(ii), Schedule C the following represents Recipients Reporting and Monitoring Requirements, as at December 31, 2015, for funds committed and expended for Client Properties as identified below:

Alberta housing grants	\$ 2,686,837	A	Committed funds returned to sustainable fund	\$ 68,751	J
Trico Contributions	816,446	B	Repayments returned to sustainable fund	737,219	L
Interest and bank charges	33	C	Less: continuing grants to departing clients	96,378	M
Less: administrative fees (64 units)	<u>256,000</u>	D	Less: back end administrative costs	85,500	N
Total initial funds available	<u>\$ 3,247,316</u>	E	Less: transfers to new AHOP projects/units	<u>493,474</u>	T
Current uncommitted funding (E-G)	<u>\$ 26,870</u>	F	Sustainable funds remaining	<u>\$ 130,618</u>	S
			Net committed funds remaining (F+K)	<u>\$ 79,070</u>	P
			Restricted cash remaining	<u>\$ 209,688</u>	R

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

(Formerly Calgary Habitat for Humanity Society)

Schedule of Affordable Housing PEAK Program Restricted Grants, continued

Schedule 1

Year ended December 31, 2015

Milano Project				Committed funds undisbursed and returned to the sustainable fund		Funds repaid by clients returned to sustainable fund	Continuing grants to departing clients
Unit	Funds committed by unit	Down payment funds disbursed by unit	Mortgage subsidy disbursed by unit	Committed funds remaining by unit			
Unit 1	\$ 47,811	\$ 35,811	\$ 12,000	\$ —	\$ 2,400	\$ —	\$ —
Unit 2	47,811	35,811	11,600	400	2,200	35,811	6,000
Unit 3	48,069	36,069	12,000	—	2,400	—	—
Unit 4	48,069	36,069	12,000	—	2,200	—	—
Unit 5	48,069	36,069	12,000	—	2,200	—	—
Unit 6	48,379	36,379	7,600	4,400	—	36,379	—
Unit 7	45,856	33,856	12,000	—	2,400	—	—
Unit 8	48,379	36,379	12,000	—	2,200	36,379	6,000
Unit 9	48,379	36,379	8,643	3,357	—	36,379	6,000
Unit 10	56,444	44,444	12,000	—	2,200	—	—
Unit 11	56,444	44,444	9,400	2,600	2,600	—	—
Unit 12	56,428	44,428	11,000	—	3,400	—	—
Unit 13	56,428	44,428	12,000	—	2,000	—	—
Unit 14	56,428	44,428	12,000	—	2,000	—	—
Unit 15	56,222	44,222	11,000	—	3,400	—	—
Unit 16	56,428	44,428	12,000	—	2,000	44,428	—
Unit 17	56,222	44,222	6,600	5,400	—	44,222	6,000
Unit 18	47,605	35,605	11,200	—	3,200	—	—
Unit 19	47,605	35,605	7,400	4,600	—	35,605	—
Unit 20	47,605	35,605	11,200	—	3,200	—	—
Unit 21	47,605	35,605	11,400	—	3,000	—	—
Unit 22	47,502	35,502	11,400	—	3,000	—	—
Unit 23	47,605	35,605	11,200	—	3,200	—	—
Unit 24	47,863	35,863	11,400	—	3,000	—	—
Unit 25	47,863	35,863	8,600	3,400	—	35,863	258
Unit 26	47,760	35,760	11,400	—	3,000	—	—
Unit 27	48,121	36,121	11,400	—	3,000	—	—
Unit 28	48,121	36,121	11,400	—	3,000	—	—

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

(Formerly Calgary Habitat for Humanity Society)

Schedule of Affordable Housing PEAK Program Restricted Grants, continued

Schedule 1

Year ended December 31, 2015

Milano Project				Committed funds undisbursed and returned to the sustainable fund	Committed funds remaining by unit	Funds repaid by clients returned to sustainable fund	Continuing grants to departing clients
Unit	Funds committed by unit	Down payment funds disbursed by unit	Mortgage subsidy disbursed by unit				
Unit 29	48,120	36,120	11,400	—	3,000	—	—
Unit 30	45,541	33,541	9,600	2,400	3,800	33,541	6,000
Unit 31	47,605	35,605	10,000	2,000	3,800	35,605	—
Unit 32	47,605	35,605	10,000	2,000	3,800	35,605	—
Unit 33	45,799	33,799	8,000	4,000	—	33,799	—
Unit 34	45,799	33,799	10,600	—	3,800	—	—
Unit 35	47,863	35,863	10,600	—	3,800	—	—
Unit 36	47,863	35,863	10,600	—	3,800	—	—
Unit 37	48,120	36,120	5,206	6,794	—	36,120	—
Unit 38	46,010	34,010	10,600	—	3,800	—	—
Unit 39	48,224	36,224	10,600	—	3,800	—	—
Unit 40	48,224	36,224	10,600	—	3,800	—	—
Unit 41	56,530	44,530	11,200	800	2,400	44,530	—
Unit 42	56,238	44,238	11,800	200	2,200	44,238	6,000
Unit 43	56,238	44,238	12,000	—	2,000	—	—
Unit 44	56,238	44,238	6,800	5,200	5,200	44,238	44,238
Unit 45	55,912	43,912	10,200	—	4,200	—	—
Unit 46	56,444	44,444	9,800	—	4,600	—	—
Unit 47	56,409	44,409	11,000	—	3,400	—	—
Unit 48	56,444	44,444	2,000	10,000	—	44,444	15,882
Unit 49	47,502	35,502	10,600	—	3,800	—	—
Unit 50	47,605	35,605	10,600	—	3,800	—	—
Unit 51	47,708	35,708	10,600	—	3,800	—	—
Unit 52	47,760	35,760	7,800	—	6,600	—	—
Unit 53	47,863	35,863	10,600	—	3,800	—	—
Unit 54	46,010	34,010	10,600	—	3,800	—	—

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

(Formerly Calgary Habitat for Humanity Society)

Schedule of Affordable Housing PEAK Program Restricted Grants, continued

Schedule 1

Year ended December 31, 2015

Milano Project				Committed funds undisbursed and returned to the sustainable fund	Committed funds remaining by unit	Funds repaid by clients returned to sustainable fund	Continuing grants to departing clients
Unit	Funds committed by unit	Down payment funds disbursed by unit	Mortgage subsidy disbursed by unit				
Unit 55	56,428	44,428	6,600	—	5,400	—	—
Unit 56	56,428	44,428	8,000	4,000	—	44,428	—
Unit 57	47,605	35,605	10,000	—	4,400	—	—
Unit 58	47,605	35,605	10,000	—	4,400	—	—
Unit 59	47,605	35,605	4,800	7,200	—	35,605	—
Unit 60	47,605	35,605	10,000	—	4,400	—	—
Unit 61	47,863	35,863	10,000	—	4,400	—	—
Unit 62	48,120	36,120	10,000	—	4,400	—	—
Unit 63	56,222	44,222	10,200	—	4,200	—	—
Unit 64	56,170	44,170	10,200	—	4,200	—	—
	\$ 3,220,446	\$ 2,452,446	\$ 647,049	\$ 68,751	\$ 52,200	\$ 737,219	\$ 96,378
	G	H	I	J	K=G-H-I-J	L	M

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

(Formerly Calgary Habitat for Humanity Society)

Schedule of Affordable Housing PEAK Program Restricted Grants, continued

Schedule 1

Year ended December 31, 2015

York Project:

For the purposes of the Affordable Housing Program, Grant Funding Dated Aug. 31, 2011, Article 20, Paragraph C(ii), Schedule C the following represents Recipients Reporting and Monitoring Requirements, as at December 31, 2015, for funds committed and expended for Client Properties as identified below:

Alberta housing grants	\$ 1,485,000	A	Committed funds returned to sustainable fund	\$ 22,907	J
Trico Contributions	438,340	B	Repayments returned to sustainable fund	165,695	L
Interest and bank charges	-	C	Less: continuing grants to departing clients	12,000	M
Less: administrative fees earned (33 units)	<u>148,500</u>	D	Less: back end administrative costs	18,000	N
Total initial funds available	<u>\$ 1,774,840</u>	E	Less: transfers to new AHOP projects/units	<u>123,185</u>	T
Current uncommitted funding (E-G)	<u>\$ -</u>	F	Sustainable funds remaining	<u>\$ 35,417</u>	S
			Net committed funds remaining (F+K)	<u>\$ 121,400</u>	P
			Restricted cash remaining	<u>\$ 156,817</u>	R

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

(Formerly Calgary Habitat for Humanity Society)

Schedule of Affordable Housing PEAK Program Restricted Grants, continued

Schedule 1

Year ended December 31, 2015

York 29 Project				Committed funds undisbursed and returned to the sustainable fund		Funds repaid by clients returned to sustainable fund	Continuing grants to departing clients
Unit	Funds committed by unit	Down payment funds disbursed by unit	Mortgage subsidy disbursed by unit		Committed funds remaining by unit		
Unit 1	\$ 53,890	\$ 41,890	\$ 6,000	\$ —	\$ 6,000	\$ —	\$ —
Unit 2	53,890	41,890	9,200	—	2,800	—	—
Unit 3	54,090	42,090	8,800	4,200	3,200	42,090	6,000
Unit 4	54,090	42,090	7,800	—	—	—	—
Unit 5	53,595	41,595	8,400	—	3,600	—	—
Unit 6	54,040	42,040	8,800	—	3,200	—	—
Unit 7	53,145	41,145	8,400	—	3,600	—	—
Unit 8	52,945	40,945	7,400	4,600	—	40,945	6,000
Unit 9	54,240	42,240	9,000	—	3,000	—	—
Unit 10	52,895	40,895	5,093	6,907	—	40,895	—
Unit 11	54,090	42,090	8,800	—	3,200	—	—
Unit 12	54,090	42,090	8,600	—	3,400	—	—
Unit 13	54,340	42,340	8,200	—	3,800	—	—
Unit 14	54,090	42,090	8,400	—	3,600	—	—
Unit 15	54,340	42,340	8,600	—	3,400	—	—
Unit 16	53,145	41,145	8,400	—	3,600	—	—
Unit 17	53,945	41,945	7,600	—	4,400	—	—
Unit 18	53,765	41,765	7,400	—	4,600	—	—
Unit 19	53,145	41,145	6,800	—	5,200	—	—
Unit 20	53,595	41,595	8,000	—	4,000	—	—
Unit 21	53,145	41,145	9,000	—	3,000	—	—
Unit 22	53,765	41,765	7,400	—	4,600	—	—
Unit 23	53,765	41,765	7,200	—	4,800	—	—
Unit 24	53,845	41,845	7,400	—	4,600	—	—
Unit 25	53,765	41,765	7,400	—	4,600	—	—
Unit 26	53,765	41,765	4,800	7,200	—	41,765	—
Unit 27	53,765	41,765	7,400	—	4,600	—	—
Unit 28	54,015	42,015	7,200	—	4,800	—	—

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

(Formerly Calgary Habitat for Humanity Society)

Schedule of Affordable Housing PEAK Program Restricted Grants, continued

Schedule 1

Year ended December 31, 2015

York 29 Project		Down payment funds disbursed by unit	Mortgage subsidy disbursed by unit	Committed funds undisbursed and returned to the sustainable fund	Committed funds remaining by unit	Funds repaid by clients returned to sustainable fund	Continuing grants to departing clients
Unit	Funds committed by unit						
Unit 29	54,015	42,015	7,200	—	4,800	—	—
Unit 30	54,095	42,095	7,000	—	5,000	—	—
Unit 31	53,845	41,845	6,600	—	5,400	—	—
Unit 32	53,845	41,845	6,600	—	5,400	—	—
Unit 33	53,845	41,845	6,800	—	5,200	—	—
	\$ 1,774,840	\$ 1,378,840	\$ 251,693	\$ 22,907	\$ 121,400	\$ 165,695	\$ 12,000
	G	H	I	J	K=G-H-I-J	L	M

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

(Formerly Calgary Habitat for Humanity Society)

Schedule of Affordable Housing PEAK Program Restricted Grants, continued

Schedule 1

Year ended December 31, 2015

Viridian Project:

For the purposes of the Affordable Housing Program, Grant Funding Dated August 31, 2011, Article 19, Paragraph C(ii), Schedule C the following represents Recipients Reporting and Monitoring Requirements, as at December 31, 2015, for funds committed and expended for Client Properties as identified below:

Alberta housing grants	\$ 290,285	A	Committed funds returned to sustainable fund	\$ --	J
Charitable Contributions	70,214	B	Repayments returned to sustainable fund	--	L
Interest and bank charges	345	C	Less: continuing grants to departing clients	--	M
Less: administrative fees (33 units)	<u>45,000</u>	D	Less: back end administrative costs	--	N
Total initial funds available	<u>\$ 315,844</u>	E	Less: transfers to new AHOP projects/units	<u>--</u>	T
Current uncommitted funding (E-G)	<u>\$ 315,844</u>	F	Sustainable funds remaining	<u>\$ --</u>	S
			Net committed funds remaining (F+K)	<u>\$ 315,844</u>	P
			Restricted cash remaining	<u>\$ 315,844</u>	R