

Consolidated Financial Statements of

**HABITAT FOR HUMANITY
SOUTHERN ALBERTA SOCIETY**

Year ended December 31, 2016



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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, 2016, 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, 2016, 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.

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

Chartered Professional Accountants

April 19, 2017
Calgary, Canada

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

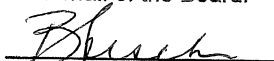
Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Cash	\$ 1,060,170	\$ 653,407
Restricted cash (note 3)	792,366	689,372
Investments (note 4)	562,071	526,051
Accounts receivable	46,059	163,402
Prepaid expenses and deposits	397,728	385,373
Projects under development (note 5)	6,589,510	5,820,984
Projects held for sale (note 6)	2,434,178	1,335,525
Inventory for construction projects	33,369	40,236
First mortgages receivable (note 7)	30,565,836	27,741,396
PEAK second mortgages receivable (note 8)	2,359,188	2,944,038
High River second mortgages receivable (note 8)	295,000	295,000
Property and equipment (note 9)	172,706	113,405
	\$ 45,308,181	\$ 40,708,189
Liabilities and Net Assets		
Accounts payable and accrued liabilities (note 10)	\$ 599,147	\$ 765,235
Evergreen term loan (note 11)	2,334,662	1,084,353
Evergreen line of credit (note 11)	1,268,454	1,307,205
Mortgage prepayments	19,905	—
Deferred revenue (note 12)	634,228	535,652
PEAK program liability (note 13)	3,158,970	3,676,222
High River program liability (note 14)	295,000	295,000
Land purchase liability (note 15)	—	533,597
Reserve fund liability (note 16)	2,520	—
	8,312,886	8,197,264
Net assets:		
Internally restricted	561,956	525,936
Unrestricted	36,433,339	31,984,989
	36,995,295	32,510,925
Commitments and contingencies (note 18)		
	\$ 45,308,181	\$ 40,708,189

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, 2016, with comparative information for 2015

	2016	2015
Revenues:		
Sale of projects	\$ 4,515,874	\$ 7,698,780
ReStore sales	3,316,951	3,106,258
ReStore donated goods for resale	4,044,998	3,402,860
Fundraising revenue (note 19)	1,704,931	2,190,418
Gifts-in-kind donations (note 19)	648,928	1,070,644
Grants (note 19)	3,443,021	918,942
Interest and other	43,917	116,018
	17,718,620	18,503,920
Expenses:		
ReStore donated goods for resale	4,044,998	3,402,860
Cost of projects sold	4,480,755	6,361,338
Program delivery	728,499	1,024,748
ReStore expenses	1,910,275	1,698,555
General and administrative	1,619,647	1,430,329
Fundraising expenses	374,683	365,406
Amortization on property and equipment	39,249	51,241
Interest and other	49,881	22,000
	13,247,987	14,356,477
Excess of revenues over expenses before the following:	4,470,633	4,147,443
Change in unrealized gain (loss) on investment	13,737	(55,162)
Excess of revenues over expenses	4,484,370	4,092,281
Net assets, beginning of year	32,510,925	28,418,644
Net assets, end of year	\$ 36,995,295	\$ 32,510,925

See accompanying notes to consolidated financial statements.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Consolidated Statement of Cash Flow

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Excess of revenue over expenses	\$ 4,484,370	\$ 4,092,281
Cash provided by (used in):		
Operations:		
Items not affecting cash from operations:		
Amortization on property and equipment	39,249	51,241
Realized gain on sale of investments	(14,188)	(60,132)
Change in unrealized loss (gain) on investments	(13,737)	55,162
Loss (gain) on sale of property and equipment	(900)	1,516
	4,494,794	4,140,068
Net change in non-cash balances:		
Accounts receivable	117,343	(117,900)
Prepaid expenses and deposits	(12,355)	(295,373)
Projects under development	(768,526)	(1,711,754)
Projects held for sale	(1,098,653)	1,514,402
Inventory for construction purposes	6,867	34,082
Mortgages granted	(4,187,507)	(7,569,036)
Mortgage payments, buybacks, cancellations	1,363,067	1,367,356
PEAK second mortgage receivables	584,850	144,744
Accounts payable and accrued liabilities	(166,088)	287,137
Land purchase liability	(533,597)	533,597
Mortgage prepayments	19,905	(32,741)
Reserve fund liability	2,520	—
	(177,380)	(1,705,418)
Investments:		
Investments	(8,095)	(20,149)
Proceeds on sale of property and equipment	1,800	(23,035)
Purchase of property and equipment	(99,450)	—
	(105,745)	(43,184)
Financing:		
Capital lease obligation payments	—	(12,281)
Evergreen term loan	1,250,309	—
Evergreen line of credit	(38,751)	(16,286)
High River program liability	—	295,000
PEAK program liability	(517,252)	(497,728)
Deferred revenue	98,576	(75,307)
	792,882	(306,602)
Increase (decrease) in cash and restricted cash	509,757	(2,055,204)
Cash and restricted cash, beginning of year	1,342,779	3,397,983
Cash and restricted cash, end of year	\$ 1,852,536	\$ 1,342,779

See accompanying notes to consolidated financial statements.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements

Year ended December 31, 2016, with comparative information for 2015

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 low income families 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 raised 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, 2016, with comparative information for 2015

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, 2016, with comparative information for 2015

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. Second mortgages, if applicable, are no longer forgivable for those family partnership agreements issued after May 1, 2010. Post policy change, mortgage values are determined based on the appraised market value of the home. 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.

(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 furniture	20% declining balance
Leasehold improvements	5-10 years straight line

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 4

Year ended December 31, 2016, with comparative information for 2015

1. Significant accounting policies (continued):

(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.

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.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 5

Year ended December 31, 2016, with comparative information for 2015

2. Financial instruments and related risks:

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

Financial instruments include cash, restricted cash, investments, accounts receivable, accounts payable and accrued liabilities, Evergreen term loan and Evergreen line of credit. These financial instruments approximate their carrying value because of their short-term nature or interest rates being comparable to market rates.

The fair market value of mortgages receivable are 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 chartered 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 2015.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 6

Year ended December 31, 2016, with comparative information for 2015

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), August 31, 2011 (York 29), and April 29, 2015 (Viridian) for funds committed and expended for client properties as summarized below:

	2016	2015
Milano net committed funds remaining (note 21)	\$ 26,870	\$ 79,070
Laredo Cochrane restricted cash remaining	600	7,000
York 29 net committed funds remaining (note 22)	40,200	121,400
Viridian net committed funds remaining (note 23)	221,803	315,844
Sustainable funds remaining (note 21 and 22)	501,310	166,035
Net interest and charges not transferred	1,583	23
Balance, end of year	\$ 792,366	\$ 689,372

4. 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 18(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, 2016 is \$561,956 (2015 - \$525,936) and cost at December 31, 2016 remains at \$318,700 (2015 - \$318,700). In 2016, the Society held unrestricted investments with a fair market value of \$115 (2015 - \$115). Net income earned from the Calgary Foundation investment in 2016 amounted to \$22,283 (2015 - \$80,281).

	2016	2015
Calgary Foundation - repurchase fund	\$ 561,956	\$ 525,936
Other investments	115	115
Balance, end of year	\$ 562,071	\$ 526,051

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 7

Year ended December 31, 2016, with comparative information for 2015

5. Projects under development:

	2016	2015
Balance, beginning of the year	\$ 5,820,984	\$ 4,109,230
Project costs during the year	5,814,054	5,861,758
	11,635,038	9,970,988
Less:		
Direct project cost expensed	(124,290)	—
Completed project costs transferred to projects held for sale (note 6)	(4,921,238)	(4,150,004)
Balance, end of year	\$ 6,589,510	\$ 5,820,984

During the year, the Society capitalized interest of \$63,119 (2015 - \$66,803) to projects.

6. Projects held for sale:

Project unit buybacks include repayments of mortgage amounts received from homeowners in the amount of \$407,218 (2015 - \$600,116).

	2016	2015
Balance, beginning of year	\$ 1,335,525	\$ 2,849,927
Add:		
Costs of completed new projects transferred from projects under development (note 5)	4,921,238	4,150,004
Project unit buybacks	407,218	600,116
	6,663,981	7,600,047
Less:		
Direct costs of projects sold during the year	(4,229,803)	(6,264,522)
Balance, end of year	\$ 2,434,178	\$ 1,335,525

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 8

Year ended December 31, 2016, with comparative information for 2015

7. 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 \$4,187,507 (2015 - \$7,569,036) were issued during the year. Annual mortgage repayments for 2016 totaled \$995,366 (2015 - \$897,850).

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

2017	\$ 1,108,738
2018	1,077,908
2019	1,067,651
2020	1,060,535
2021	1,054,221

The Society holds forgivable second mortgages dated prior to May 1, 2010 aggregating \$3,685,810 on 59 units (2015 - \$3,715,185 on 60 units) which expire at the end of the 25 to 50 year terms. As at December 31, 2016, there are no unforgivable second mortgages recorded on the statement of financial position.

8. Second mortgages receivable:

PEAK second mortgages are secured by the related land and building. These mortgages are non-interest bearing for the first 5 years, with interest accruing at 5% for Milano and 3% for York, compounded annually thereafter. No payments are required unless the homeowner sells, rents or defaults on the designated housing unit. A mortgage reduction of \$6,000 is available if the second mortgage is repaid within 10 years of the original mortgage adjustment date. In 2016, 32 Milano units (2015 – 9 units) accrued interest totaling \$38,941 (2015 - \$2,164).

High River second mortgages are secured by the related land and building. These mortgages are non-interest bearing for the first 5 years, with interest accruing at 3%, compounded annually thereafter. No payments are required unless the homeowner sells, rents or defaults on the designated housing unit. In 2015, 10 High River homeowners received second mortgages for a total of \$295,000.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 9

Year ended December 31, 2016, with comparative information for 2015

9. Property and equipment:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Automotive and trailers	\$ 113,367	\$ 92,938	\$ 20,429	\$ 15,838
Computer equipment	76,065	67,502	8,563	12,232
Construction mobile equipment	84,550	77,773	6,777	15,043
Construction tools and equipment	8,274	8,190	84	105
Office equipment and furniture	94,971	81,229	13,742	17,178
Leasehold improvements	349,112	226,001	123,111	53,009
	\$ 726,339	\$ 553,633	\$ 172,706	\$ 113,405

10. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$6,950 (2015 - \$17,903), which includes amounts payable for GST.

11. 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 (2015 – bank's prime rate). The facility has not been utilized as of December 31, 2016 (December 31, 2015 - nil).

The Society has available a \$10,000,000 Evergreen credit facility, of which \$3,603,116 was utilized at December 31, 2016 (2015 - \$2,391,558).

	2016	2015
Evergreen term loan	\$ 2,334,662	\$ 1,084,353
Evergreen line of credit	1,268,454	1,307,205
Balance, end of year	\$ 3,603,116	\$ 2,391,558

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.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 10

Year ended December 31, 2016, with comparative information for 2015

11. Credit facilities (continued):

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:

2017	\$ 106,609
2018	135,602
2019	163,815
2020	169,029
2021	174,624

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.

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, 2016, the Society is in compliance with all such covenants.

12. Deferred revenue:

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

	2016	2015
Balance, beginning of year	\$ 535,652	\$ 610,959
Amounts received	209,601	479,961
Amounts recognized as revenue in the year	(111,025)	(555,268)
Balance, end of year	\$ 634,228	\$ 535,652

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 11

Year ended December 31, 2016, with comparative information for 2015

13. 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:

	2016	2015
Restricted cash Milano Project (note 21)	\$ 379,944	\$ 209,688
Interest receivable	38,940	—
Milano mortgages receivable	1,207,521	1,715,228
Milano program liability	1,626,405	1,924,916
Restricted cash Laredo Cochrane Project	600	7,000
Laredo Cochrane mortgages receivable	13,500	13,500
Laredo Cochrane program liability	14,100	20,500
Restricted cash York 29 Project (note 22)	188,436	156,817
York 29 mortgages receivable	1,005,185	1,213,145
York 29 program liability	1,193,621	1,369,962
Restricted cash Viridian Project (note 23)	221,803	360,844
Deferred administration fees	9,000	—
Viridian mortgages receivable	94,041	—
Viridian program liability	324,844	360,844
Total PEAK program liability	\$ 3,158,970	\$ 3,676,222

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.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 12

Year ended December 31, 2016, with comparative information for 2015

14. High River program liability:

The High River program liability is managed by the Society on behalf of Rempel Homes and the Canadian Red Cross.

As second mortgages are repaid by homeowners, these funds, as well as any interest received, is distributed to the sustainability fund in accordance with the terms of the funding agreement. The funds accumulated in this sustainability fund will continue to accrue over time to help fund future initiatives of the Society.

15. Land purchase liability:

The 6 lots purchased from Ravenswood Developments was recorded as a long term liability in 2015. The liability was paid to Ravenswood in 2016 and funded through the Evergreen Line of Credit.

16. Reserve fund liability:

The Society has set up a reserve fund for the future condominium corporation that will oversee the management of the Pineridge Project. The corporation will be registered once the project is complete. These funds will be transferred to the condominium corporation at that time.

17. 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 contributed a discretionary contribution of \$25,000 in 2016 (2015 - \$25,000). The Society's contribution assists Habitat for Humanity International's work. During the year, the Society paid ReStore royalties of \$165,820 (2015 - \$92,788), affiliation fees of \$172,415 (2015 - \$225,265) to Habitat for Humanity Canada. In 2016, the Society received \$341,037 in cash donations, grants and sponsorships (2015 - \$221,551) in addition to \$505,294 of gifts-in-kind (2015 - \$452,610) from Habitat for Humanity Canada. The amount due at year-end to Habitat for Humanity Canada is \$81,998 (2015 - \$57,273) and included within accounts payable and accrued liabilities.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 13

Year ended December 31, 2016, with comparative information for 2015

18. Commitments and contingencies:

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

2017	\$ 712,275
2018	707,158
2019	725,655
2020	631,963
2021	295,454
Thereafter	770,889

- (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. The Society has committed to repurchase all units back from owners and may fund these commitments through the investment held with the Calgary Foundation. There was one unit buyback in 2016 for \$86,309 (2015 - nil) (note 4).
- (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 may fund these commitments through the investment held with the Calgary Foundation. There were two units buybacks in 2016 for \$160,455 (2015 - nil) (note 4).
- (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 \$572,839 (2015 - \$586,539).

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 14

Year ended December 31, 2016, with comparative information for 2015

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

	2016	2015
Donations	\$ 1,037,897	\$ 1,276,581
Other fundraising	667,034	913,837
Fundraising revenue	1,704,931	2,190,418
Gifts-in-kind donations	648,928	1,070,644
Grants	3,443,021	918,942
	\$ 5,796,880	\$ 4,180,004

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 \$1,704,931 (2015 - \$2,190,418) in fundraising revenues, the Society incurred \$374,683 (2015 - \$365,405) in fundraising expenses for the purpose of soliciting contributions which includes \$149,366 (2015 - \$193,921) for direct fundraising expenses and \$225,317 (2015 - \$171,484) 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.

20. Provincial affordable housing grants:

In accordance with the Affordable Housing Grants Funding Agreement dated August 22, 2012, Article 5, Paragraph D(ii), regarding the release of the final 10% funding holdback, the Society completed 8, (2015 - 3 completed) out of the 15 units pertaining to this agreement. The completed properties and related costs as at December 31, 2016 are as follows:

Unit 4	\$ 251,457
Unit 5	251,457
Unit 6	251,457
Unit 7	251,457
Unit 8	226,378
Unit 9	226,378
Unit 10	226,378
Unit 11	226,378
	\$ 1,911,340

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 15

Year ended December 31, 2016, with comparative information for 2015

20. Provincial affordable housing grants (continued):

In accordance with the Affordable Housing Grants Funding Agreement dated April 11, 2016, Article 5, Paragraph D(ii), regarding the release of the final 10% funding holdback, the Society completed 8 out of 24 units pertaining to this agreement. The completed properties and related costs as at December 31, 2016 are as follows:

Unit 1	\$	314,315
Unit 2		314,315
Unit 3		314,315
Unit 4		296,956
Unit 5		296,956
Unit 6		296,956
Unit 7		372,794
Unit 8		372,794
	\$	2,579,401

In accordance with the Affordable Housing Grants Funding Agreement dated July 8, 2016, Article 4, Paragraph (c), regarding the release of the final 1% funding holdback, the Society completed 4 units out of 9 units pertaining to this agreement. The completed properties and related costs as at December 31, 2016 are as follows:

Unit 1	\$	263,252
Unit 2		263,252
Unit 8		268,858
Unit 9		268,858
	\$	1,064,220

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 16

Year ended December 31, 2016, with comparative information for 2015

21. Provincial Affordable Housing Program - Milano Project:

For the purposes of the Affordable Housing Program, Grant Funding Dated May 15, 2010, Article 19, Paragraph C(ii), Schedule C, following is the schedule of affordable housing PEAK program restricted grant. Recipients Reporting and Monitoring Requirements, as at December 31, 2016, for funds committed and expended for Client Properties as identified below:

Alberta housing grants	\$ 2,686,837	A	Committed funds returned to sustainable fund	\$ 77,751	J
Trico Contributions	816,446	B	Repayments returned to sustainable fund	1,244,926	L
Interest and bank charges	33	C	Less: continuing grants to departing clients	203,250	M
Less: administrative fees (64 units)	<u>256,000</u>	D	Less: back end administrative costs	139,500	N
Total initial funds available	<u>\$ 3,247,316</u>	E	Less: transfers to new AHOP projects/units	<u>626,853</u>	T
Current uncommitted funding E-G) (note 3)	<u>\$ 26,870</u>	F	Sustainable funds remaining (note 3)	<u>\$ 353,074</u>	S
Net committed funds remaining (F+K) (note 3)	<u>\$ 26,870</u>	P	Restricted cash remaining (note 13)	<u>\$ 379,944</u>	R

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 17

Year ended December 31, 2016, with comparative information for 2015

21. Provincial Affordable Housing Program - Milano Project (continued):

Unit	Funds committed by unit	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 1	\$ 47,811	\$ 35,811	\$ 12,000	\$ —	\$ —	\$ —	\$ —
Unit 2	47,811	35,811	11,600	400	—	35,811	6,000
Unit 3	48,069	36,069	12,000	—	—	—	—
Unit 4	48,069	36,069	12,000	—	—	36,069	—
Unit 5	48,069	36,069	12,000	—	—	—	—
Unit 6	48,379	36,379	7,600	4,400	—	36,379	—
Unit 7	45,856	33,856	12,000	—	—	—	—
Unit 8	48,379	36,379	12,000	—	—	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	—	—	—	—
Unit 11	56,444	44,444	9,400	2,600	—	44,444	44,444
Unit 12	56,428	44,428	12,000	—	—	—	—
Unit 13	56,428	44,428	12,000	—	—	—	—
Unit 14	56,428	44,428	12,000	—	—	—	—
Unit 15	56,222	44,222	12,000	—	—	—	—
Unit 16	56,428	44,428	12,000	—	—	44,428	—
Unit 17	56,222	44,222	6,600	5,400	—	44,222	6,000
Unit 18	47,605	35,605	12,000	—	—	35,605	—
Unit 19	47,605	35,605	7,400	4,600	—	35,605	—
Unit 20	47,605	35,605	12,000	—	—	—	—
Unit 21	47,605	35,605	12,000	—	—	—	—
Unit 22	47,502	35,502	12,000	—	—	35,502	6,000
Unit 23	47,605	35,605	12,000	—	—	—	—
Unit 24	47,863	35,863	12,000	—	—	35,863	6,000
Unit 25	47,863	35,863	8,600	3,400	—	35,863	258
Unit 26	47,760	35,760	12,000	—	—	35,760	—
Unit 27	48,121	36,121	12,000	—	—	36,121	6,000

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 18

Year ended December 31, 2016, with comparative information for 2015

21. Provincial Affordable Housing Program - Milano Project (continued):

Unit	Funds committed by unit	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 28	48,121	36,121	12,000	—	—	—	—
Unit 29	48,120	36,120	12,000	—	—	—	—
Unit 30	45,541	33,541	9,600	2,400	—	33,541	6,000
Unit 31	47,605	35,605	10,000	2,000	—	35,605	—
Unit 32	47,605	35,605	10,000	2,000	—	35,605	—
Unit 33	45,799	33,799	8,000	4,000	—	33,799	—
Unit 34	45,799	33,799	12,000	—	—	—	—
Unit 35	47,863	35,863	12,000	—	—	—	—
Unit 36	47,863	35,863	12,000	—	—	—	—
Unit 37	48,120	36,120	5,206	6,794	—	36,120	—
Unit 38	46,010	34,010	12,000	—	—	10,000	—
Unit 39	48,224	36,224	12,000	—	—	—	—
Unit 40	48,224	36,224	12,000	—	—	—	—
Unit 41	56,530	44,530	11,200	800	—	44,530	—
Unit 42	56,238	44,238	11,800	200	—	44,238	6,000
Unit 43	56,238	44,238	12,000	—	—	—	—
Unit 44	56,238	44,238	6,800	5,200	—	44,238	44,238
Unit 45	55,912	43,912	12,000	—	—	—	—
Unit 46	56,444	44,444	12,000	—	—	200	—
Unit 47	56,409	44,409	12,000	—	—	—	—
Unit 48	56,444	44,444	2,000	10,000	—	44,444	15,882
Unit 49	47,502	35,502	12,000	—	—	—	—
Unit 50	47,605	35,605	12,000	—	—	—	—
Unit 51	47,708	35,708	12,000	—	—	35,708	—
Unit 52	47,760	35,760	9,200	2,800	—	—	—
Unit 53	47,863	35,863	12,000	—	—	—	—
Unit 54	46,010	34,010	12,000	—	—	34,010	—

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 19

Year ended December 31, 2016, with comparative information for 2015

21. Provincial Affordable Housing Program - Milano Project (continued):

Unit	Funds committed by unit	Down payment funds disbursed by unit	Mortgage subsidy disbursed by unit	Undisbursed and returned to the sustainable fund	Committed funds remaining by unit	Repaid by clients returned to sustainable fund	Continuing grants to departing clients
Unit 55	56,428	44,428	6,600	5,400	—	44,428	44,428
Unit 56	56,428	44,428	8,000	4,000	—	44,428	—
Unit 57	47,605	35,605	11,600	400	—	35,605	—
Unit 58	47,605	35,605	12,000	—	—	—	—
Unit 59	47,605	35,605	4,800	7,200	—	35,605	—
Unit 60	47,605	35,605	12,000	—	—	—	—
Unit 61	47,863	35,863	12,000	—	—	—	—
Unit 62	48,120	36,120	12,000	—	—	—	—
Unit 63	56,222	44,222	11,600	400	—	44,222	—
Unit 64	56,170	44,170	12,000	—	—	44,170	—
	\$ 3,220,446	\$ 2,452,446	\$ 690,249	\$ 77,751	\$ —	\$ 1,244,926	\$ 203,250
	G	H	I	J	K=G-H-I-J	L	M

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 20

Year ended December 31, 2016, with comparative information for 2015

22. Provincial Affordable Housing Program - York Project:

For the purposes of the Affordable Housing Program, Grant Funding Dated Aug. 31, 2011, Article 20, Paragraph C(ii), Schedule C, following is the schedule of affordable housing PEAK program restricted grant. Recipients Reporting and Monitoring Requirements, as at December 31, 2016, for funds committed and expended for Client Properties as identified below:

Alberta housing grants	\$ 1,485,000	A	Committed funds returned to sustainable fund	\$ 40,307	J
Trico Contributions	438,340	B	Repayments returned to sustainable fund	373,655	L
Interest and bank charges	-	C	Less: continuing grants to departing clients	35,468	M
Less: administrative fees earned (33 units)	<u>148,500</u>	D	Less: back end administrative costs	40,500	N
Total initial funds available	<u>\$ 1,774,840</u>	E	Less: transfers to new AHOP projects/units	<u>189,758</u>	T
Current uncommitted funding (E-G)	<u>\$ -</u>	F	Sustainable funds remaining (note 3)	<u>\$ 148,236</u>	S
			Net committed funds remaining (F+K) (note 3)	<u>\$ 40,200</u>	P
			Restricted cash remaining (note 13)	<u>\$ 188,436</u>	R

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 21

Year ended December 31, 2016, with comparative information for 2015

22. Provincial Affordable Housing Program - York 29 Project (continued):

Unit	Funds committed by unit	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 1	\$ 53,890	\$ 41,890	\$ 6,000	\$ 6,000	\$ —	\$ 41,890	\$ 17,468
Unit 2	53,890	41,890	11,600	—	400	—	—
Unit 3	54,090	42,090	11,200	—	800	—	6,000
Unit 4	54,090	42,090	7,800	4,200	—	42,090	—
Unit 5	53,595	41,595	10,800	—	1,200	—	—
Unit 6	54,040	42,040	11,200	—	800	—	—
Unit 7	53,145	41,145	10,800	—	1,200	—	—
Unit 8	52,945	40,945	7,400	4,600	—	40,945	6,000
Unit 9	54,240	42,240	11,400	—	600	—	—
Unit 10	52,895	40,895	5,093	6,907	—	40,895	—
Unit 11	54,090	42,090	11,200	—	800	—	—
Unit 12	54,090	42,090	11,000	—	1,000	—	—
Unit 13	54,340	42,340	10,600	—	1,400	—	—
Unit 14	54,090	42,090	10,800	—	1,200	—	—
Unit 15	54,340	42,340	11,000	—	1,000	—	—
Unit 16	53,145	41,145	10,800	—	1,200	—	—
Unit 17	53,945	41,945	10,000	—	2,000	—	—
Unit 18	53,765	41,765	9,800	—	2,200	—	—
Unit 19	53,145	41,145	7,200	4,800	—	41,145	—
Unit 20	53,595	41,595	10,400	—	1,600	—	—
Unit 21	53,145	41,145	11,400	600	—	41,145	—
Unit 22	53,765	41,765	9,800	—	2,200	—	—
Unit 23	53,765	41,765	9,600	—	2,400	—	—
Unit 24	53,845	41,845	9,800	—	2,200	—	—
Unit 25	53,765	41,765	9,600	2,400	—	41,765	—
Unit 26	53,765	41,765	4,800	7,200	—	41,765	—
Unit 27	53,765	41,765	9,800	—	2,200	—	—

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 22

Year ended December 31, 2016, with comparative information for 2015

22. Provincial Affordable Housing Program - York 29 Project (continued):

Unit	Funds committed by unit	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 28	54,015	42,015	9,600	—	2,400	—	—
Unit 29	54,015	42,015	8,400	3,600	—	42,015	6,000
Unit 30	54,095	42,095	9,400	—	2,600	—	—
Unit 31	53,845	41,845	9,000	—	3,000	—	—
Unit 32	53,845	41,845	9,000	—	3,000	—	—
Unit 33	53,845	41,845	9,200	—	2,800	—	—
	\$ 1,774,840	\$ 1,378,840	\$ 315,493	\$ 40,307	\$ 40,200	\$ 373,655	\$ 35,468
	G	H	I	J	K=G-H-I-J	L	M

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 23

Year ended December 31, 2016, with comparative information for 2015

23. Provincial Affordable Housing Program - Viridian Project:

For the purpose of the Affordable Housing Program Funding, MOA Dated April 29, 2015, Article 3.1, Paragraph (i), the following is the schedule of affordable housing PEAK program restricted grant. Recipients Reporting and Monitoring Requirements, as at December 31, 2016, for funds committed and expended for Client Properties as identified below:

Sustainability Fund	\$ 360,844	A	Committed funds returned to sustainable fund	\$ --	J
Less: Administration fees (8 units)	36,000	B	Repayments returned to sustainable fund	--	L
Less: Deferred administration fees (2 units)	<u>9,000</u>	C	Less: continuing grants to departing clients	--	M
Total initial funds available	<u>\$ 315,844</u>	D	Less: back end administrative costs	--	N
Current uncommitted funding (D-G)	<u>\$ 221,803</u>	E	Less: transfers to new AHOP projects/units	<u>--</u>	T
			Sustainable funds remaining (note 3)	<u>\$ --</u>	S
			Uncommitted and committed funds remaining (E+K) (note 3)	<u>\$ 221,803</u>	P
			Restricted cash remaining (note 3)	<u>\$ 221,803</u>	R

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 24

Year ended December 31, 2016, with comparative information for 2015

23. Provincial Affordable Housing Program - Viridian Project (continued):

Unit	Funds committed by unit	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 1	\$ 14,185	\$ 14,185	\$ —	\$ —	\$ —	\$ —	\$ —
Unit 2	12,069	12,069	—	—	—	—	—
Unit 3	9,747	9,747	—	—	—	—	—
Unit 4	13,875	13,875	—	—	—	—	—
Unit 5	11,652	11,652	—	—	—	—	—
Unit 6	11,192	11,192	—	—	—	—	—
Unit 7	11,161	11,161	—	—	—	—	—
Unit 8	10,160	10,160	—	—	—	—	—
	\$ 94,041	\$ 94,041	\$ —	\$ —	\$ —	\$ —	\$ —
	G	H	I	J	K=G-H-I-J	L	M