

Consolidated Financial Statements of

**HABITAT FOR HUMANITY
SOUTHERN ALBERTA SOCIETY**

Year ended December 31, 2017



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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, 2017, 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, 2017, 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, appearing to read 'KPMG LLP'.

Chartered Professional Accountants

April 18, 2018
Calgary, Canada

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY


Consolidated Statement of Financial Position

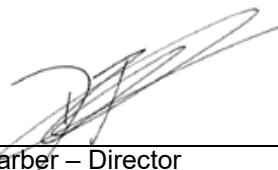
December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Cash	\$ 194,051	\$ 1,060,170
Restricted cash (note 3)	807,453	792,366
Investments (note 4)	618,418	562,071
Accounts receivable	1,383,925	46,059
Prepaid expenses and deposits	415,813	397,728
Projects under development (note 5)	6,097,541	6,589,510
Projects held for sale (note 6)	2,207,651	2,434,178
Inventory for construction projects	15,227	33,369
First mortgages receivable (note 7)	33,868,527	30,565,836
PEAK second mortgages receivable (note 8)	1,950,901	2,359,188
High River second mortgages receivable (note 8)	295,000	295,000
Property and equipment (note 9)	376,510	172,706
	<u>\$ 48,231,017</u>	<u>\$ 45,308,181</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities (note 10)	\$ 800,402	\$ 599,147
Operating line of credit (note 11)	610,000	—
Evergreen term loan (note 11)	2,232,350	2,334,662
Evergreen line of credit (note 11)	1,268,454	1,268,454
Mortgage prepayments	—	19,905
Deferred revenue (note 12)	836,943	634,228
PEAK program liability (note 13)	2,758,221	3,158,970
High River program liability (note 14)	295,000	295,000
Reserve fund liability (note 15)	—	2,520
	<u>8,801,370</u>	<u>8,312,886</u>
Net assets:		
Internally restricted	618,303	561,956
Unrestricted	38,811,344	36,433,339
	<u>39,429,647</u>	<u>36,995,295</u>
Commitments and contingencies (note 17)		
	<u>\$ 48,231,017</u>	<u>\$ 45,308,181</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:


Anubhav Chaitanya – Director


David Barber – Director

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Consolidated Statement of Operations and Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenues:		
Sale of projects	\$ 6,029,786	\$ 4,515,874
ReStore sales	3,354,169	3,316,951
ReStore donated goods for resale	3,796,972	4,044,998
Fundraising revenue (note 18)	1,692,003	1,704,931
Gifts-in-kind donations (note 18)	381,367	648,928
Grants (note 18)	2,586,092	3,443,021
Interest and other	72,266	43,917
	<u>17,912,655</u>	<u>17,718,620</u>
Expenses:		
ReStore donated goods for resale	3,796,972	4,044,998
Cost of projects sold	5,800,055	4,480,755
Program delivery	910,667	728,499
ReStore expenses	2,518,534	1,910,275
General and administrative	1,726,341	1,619,647
Fundraising expenses	593,194	374,683
Amortization on property and equipment	57,103	39,249
Interest and other	107,438	49,881
	<u>15,510,304</u>	<u>13,247,987</u>
Excess of revenues over expenses before the following:	2,402,351	4,470,633
Change in unrealized gain on investment	32,001	13,737
Excess of revenues over expenses	<u>2,434,352</u>	<u>4,484,370</u>
Net assets, beginning of year	36,995,295	32,510,925
Net assets, end of year	<u>\$ 39,429,647</u>	<u>\$ 36,995,295</u>

See accompanying notes to consolidated financial statements.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Consolidated Statement of Cash Flow

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Excess of revenue over expenses	\$ 2,434,352	\$ 4,484,370
Cash provided by (used in):		
Operations:		
Items not affecting cash from operations:		
Amortization on property and equipment	57,103	39,2491
Realized gain on sale of investments	(19,057)	(14,188)
Change in unrealized gain on investments	(32,001)	(13,737)
Gain on sale of property and equipment	(5,974)	(900)
	2,434,423	4,494,794
Net change in non-cash balances:		
Accounts receivable	(1,337,866)	117,343
Prepaid expenses and deposits	(18,085)	(12,355)
Projects under development	491,969	(768,526)
Projects held for sale	226,527	(1,098,653)
Inventory for construction purposes	18,142	6,867
Mortgages granted (note 7)	(5,548,632)	(4,187,507)
Mortgage payments, buybacks, cancellations	2,245,941	1,363,067
PEAK second mortgage receivables	408,287	584,850
Accounts payable and accrued liabilities	201,255	(166,088)
Land purchase liability	—	(533,597)
Mortgage prepayments	(19,905)	19,905
Reserve fund liability	(2,520)	2,520
	(900,464)	(177,380)
Investing:		
Purchase of investments	(5,289)	(8,095)
Proceeds on sale of property and equipment	11,550	1,800
Purchase of property and equipment	(266,483)	(99,450)
	(260,222)	(105,745)
Financing:		
Operating Line of Credit	610,000	—
Evergreen term loan	(102,312)	1,250,309
Evergreen line of credit	—	(38,751)
PEAK program liability	(400,749)	(517,252)
Deferred revenue	202,715	98,576
	309,654	792,882
(Decrease) increase in cash and restricted cash	(851,032)	509,757
Cash and restricted cash, beginning of year	1,852,536	1,342,779
Cash and restricted cash, end of year	\$ 1,001,504	\$ 1,852,536

See accompanying notes to consolidated financial statements.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements

Year ended December 31, 2017, with comparative information for 2016

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, 2017, with comparative information for 2016

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, 2017, with comparative information for 2016

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, 2017, with comparative information for 2016

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 the fair value of donated items, the recoverability and useful life of property and equipment, the fair value of 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, 2017, with comparative information for 2016

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, operating line of credit, 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 a chartered Canadian commercial bank.

(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 2016.

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 6

Year ended December 31, 2017, with comparative information for 2016

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:

	2017	2016
Milano net committed funds remaining (note 20)	\$ 26,870	\$ 26,870
Laredo Cochrane restricted cash remaining	–	600
York 29 net committed funds remaining (note 21)	4,200	40,200
Viridian net committed funds remaining (note 22)	124,525	221,803
Sustainable funds remaining (note 20, 21 and 22)	651,726	501,310
Net interest and charges not transferred	132	1,583
Balance, end of year	\$ 807,453	\$ 792,366

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, 2017 is \$618,303 (2016 - \$561,956) and cost at December 31, 2017 remains at \$318,700. In 2017, the Society held unrestricted investments with a fair market value of \$115 (2016 - \$115). Net income earned from the Calgary Foundation investment in 2017 amounted to \$24,346 (2016 - \$22,283).

	2017	2016
Calgary Foundation - repurchase fund	\$ 618,303	\$ 561,956
Other investments	115	115
Balance, end of year	\$ 618,418	\$ 562,071

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 7

Year ended December 31, 2017, with comparative information for 2016

5. Projects under development:

	2017	2016
Balance, beginning of the year	\$ 6,589,510	\$ 5,820,984
Project costs during the year	3,375,307	5,814,054
	9,964,817	11,635,038
Less:		
Direct project cost expensed	(86,541)	(124,290)
Completed project costs transferred to projects held for sale (note 6)	(3,780,735)	(4,921,238)
Balance, end of year	\$ 6,097,541	\$ 6,589,510

During the year, the Society capitalized interest of \$34,055 (2016 - \$63,119) to projects.

6. Projects held for sale:

Project unit buybacks include repayments of mortgage amounts received from homeowners in the amount of \$1,356,210 (2016 - \$407,218).

	2017	2016
Balance, beginning of year	\$ 2,434,178	\$ 1,335,525
Add:		
Costs of completed new projects transferred from projects under development (note 5)	3,780,735	4,921,238
Project unit buybacks	1,356,210	407,218
	7,571,123	6,663,981
Less:		
Direct costs of projects sold during the year	(5,363,472)	(4,229,803)
Balance, end of year	\$ 2,207,651	\$ 2,434,178

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 8

Year ended December 31, 2017, with comparative information for 2016

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 \$5,548,632 (2016 - \$4,187,507) were issued during the year. Annual mortgage repayments for 2017 totaled \$1,104,778 (2016 - \$995,366).

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

2018	\$ 1,270,405
2019	1,235,643
2020	1,225,221
2021	1,208,942
2022	1,197,617

The Society holds forgivable second mortgages dated prior to May 1, 2010, aggregating \$3,545,553 on 56 units (2016 - \$3,685,810 on 59 units) which expire at the end of the 25 to 50 year terms. As at 2017 and 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 29, 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 2017, 26 Milano units (2016 – 32 units) accrued interest totaling \$38,103 (2016 - \$38,941). In 2017, 12 York 29 units accrued interest of \$7,722 (2016 - \$nil).

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, 2017, with comparative information for 2016

9. Property and equipment:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Automotive and trailers	\$ 126,283	\$ 85,341	\$ 40,942	\$ 20,429
Computer equipment	79,601	70,601	9,000	8,563
Construction mobile equipment	91,348	80,826	10,522	6,777
Construction tools and equipment	8,273	8,206	67	84
Office equipment and furniture	94,971	83,977	10,994	13,742
Leasehold improvements	568,201	263,216	304,985	123,111
	\$ 968,677	\$ 592,167	\$ 376,510	\$ 172,706

10. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$46,312 (2016 - \$6,950), which includes amounts payable for GST.

11. Credit facilities:

The Society has available a \$1,000,000 demand operating loan facility to be used for general operations. This facility bears interest at bank's prime rate per annum (2016 – bank's prime rate). The facility balance as of December 31, 2017 is \$610,000 (2016 - \$nil).

The Society has available a \$10,000,000 demand Evergreen credit facility, of which \$3,500,804 was utilized at December 31, 2017 (2016 - \$3,603,116).

	2017	2016
Operating Line of Credit	\$ 610,000	\$ –
Evergreen term loan	2,232,350	2,334,662
Evergreen line of credit	1,268,454	1,268,454
Balance, end of year	\$ 4,110,804	\$ 3,603,116

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, 2017, with comparative information for 2016

11. Credit facilities (continued):

The facility is used for interim financing for the acquisition of land for residential construction purposes, interest and predevelopment costs.

Assuming payment of the Evergreen term loan is not demanded, principal payments for the next 5 years are as follows:

2018	\$	127,897
2019		156,369
2020		161,869
2021		167,780
2022		173,798

The Society also has available a \$1,000,000 demand 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, 2017, the Society is in compliance with all such covenants. The next annual review date for any demand credit facilities is set for May 31, 2018.

12. Deferred revenue:

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

	2017	2016
Balance, beginning of year	\$ 634,228	\$ 535,652
Amounts received	257,622	209,601
Amounts recognized as revenue in the year	(54,907)	(111,025)
Balance, end of year	\$ 836,943	\$ 634,228

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 11

Year ended December 31, 2017, with comparative information for 2016

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:

	2017	2016
Restricted cash Milano Project (note 20)	\$ 420,480	\$ 379,944
Interest receivable	77,044	38,940
Milano mortgages receivable	966,481	1,207,521
Milano program liability	1,464,005	1,626,405
Restricted cash Laredo Cochrane Project	–	600
Laredo Cochrane mortgages receivable	13,500	13,500
Laredo Cochrane program liability	13,500	14,100
Restricted cash York 29 Project (note 21)	262,316	188,436
Interest receivable	7,722	–
York 29 mortgages receivable	712,835	1,005,185
York 29 program liability	982,873	1,193,621
Restricted cash Viridian Project (note 22)	124,525	221,803
Deferred administration fees	–	9,000
Viridian mortgages receivable	173,318	94,041
Viridian program liability	297,843	324,844
Total PEAK program liability	\$ 2,758,221	\$ 3,158,970

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, 2017, with comparative information for 2016

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. Reserve fund liability:

In 2016, the Society 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.

16. 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 2017 (2016 - \$25,000). The Society's contribution assists Habitat for Humanity International's work. During the year, the Society paid ReStore royalties of \$125,818 (2016 - \$165,820), affiliation fees of \$129,166 (2016 - \$172,415) to Habitat for Humanity Canada. In 2017, the Society received \$275,330 in cash donations, grants and sponsorships (2016 - \$341,037) in addition to \$339,453 of gifts-in-kind (2016 - \$505,294) from Habitat for Humanity Canada. The amount due at year end to Habitat for Humanity Canada is \$60,775 (2016 - \$81,998) 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, 2017, with comparative information for 2016

17. 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:

2018	\$ 722,872
2019	739,779
2020	664,399
2021	324,991
2022	253,137
Thereafter	524,992

- (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 were two unit buybacks in 2017 for \$86,309 per unit (2016 - one unit for \$86,309) (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 was one unit buyback in 2017 for \$192,500 (2016 – two units for \$160,455) (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 \$556,539 (2016 - \$572,839).

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 14

Year ended December 31, 2017, with comparative information for 2016

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

	2017	2016
Donations	\$ 816,685	\$ 1,037,897
Other fundraising	875,318	667,034
Fundraising revenue	\$ 1,692,003	\$ 1,704,931
Gifts-in-kind donations	381,367	648,928
Grants	2,586,092	3,443,021
	\$ 4,659,462	\$ 5,796,880

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 \$1,692,003 (2016 - \$1,704,931) in fundraising revenues, the Society incurred \$593,194 (2016 - \$374,683) in fundraising expenses for the purpose of soliciting contributions which includes \$184,132 (2016 - \$149,366) for direct fundraising expenses and \$409,063 (2016 - \$225,317) 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.

19. 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, during 2017, the Society completed the final 4 of the 15 units pertaining to this agreement (8 completed in 2016). The completed properties and related costs as of the end of 2017 are as follows:

Unit 12	\$ 240,803
Unit 13	240,803
Unit 14	240,803
Unit 15	240,803
	\$ 963,212

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 15

Year ended December 31, 2017, with comparative information for 2016

19. 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, during 2017, the Society completed 8 units out of 24 units pertaining to this agreement (8 units completed in 2016). The completed properties and related costs as of the end of 2017 are as follows:

Unit 9	\$	257,068
Unit 10		257,068
Unit 11		257,068
Unit 12		257,068
Unit 13		257,068
Unit 14		257,068
Unit 15		248,907
Unit 16		248,907
	\$	<u>2,040,222</u>

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, during 2017, the Society completed 4 out of 9 units pertaining to this agreement (4 units completed in 2016). The completed properties and related costs as of the end of 2017 are as follows:

Unit 3	\$	223,541
Unit 4		223,541
Unit 5		223,541
Unit 6		223,541
	\$	<u>894,164</u>

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 16

Year ended December 31, 2017, with comparative information for 2016

20. 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, the following is the schedule of affordable housing PEAK program restricted grant. Recipients Reporting and Monitoring Requirements, as at December 31, 2017, 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	1,502,468	L
Interest and bank charges	33	C	Less: continuing grants to departing clients	268,142	M
Less: administrative fees (64 units)	<u>256,000</u>	D	Less: back end administrative costs	170,252	N
Total initial funds available	<u>\$ 3,247,316</u>	E	Less: transfers to new AHOP projects/units	<u>748,215</u>	T
Current uncommitted funding E-G) (note 3)	<u>\$ 26,870</u>	F	Sustainable funds remaining (note 3)	<u>\$ 393,610</u>	S
Net committed funds remaining (F+K) (note 3)	<u>\$ 26,870</u>	P	Restricted cash remaining (note 13)	<u>\$ 420,480</u>	R

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 17

Year ended December 31, 2017, with comparative information for 2016

20. 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	-	-	36,282	-
Unit 5	48,069	36,069	12,000	-	-	38,388	6,000
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	-	-	47,795	-
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	-	-	35,701	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

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 18

Year ended December 31, 2017, with comparative information for 2016

20. 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 26	47,760	35,760	12,000	—	—	36,156	—
Unit 27	48,121	36,121	12,000	—	—	36,121	6,000
Unit 28	48,121	36,121	12,000	—	—	—	—
Unit 29	48,120	36,120	12,000	—	—	36,120	36,120
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	—	—	8,000	—
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	—	—	47,361	—
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	—	—	2,400	—
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	—	—	37,347	—

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 19

Year ended December 31, 2017, with comparative information for 2016

20. 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 52	47,760	35,760	9,200	2,800	—	—	—
Unit 53	47,863	35,863	12,000	—	—	37,346	6,000
Unit 54	46,010	34,010	12,000	—	—	34,038	—
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	—	—	37,427	16,772
Unit 63	56,222	44,222	11,600	400	—	44,222	—
Unit 64	56,170	44,170	12,000	—	—	44,600	—
	\$ 3,220,446	\$ 2,452,446	\$ 690,249	\$ 77,751	\$ —	\$ 1,502,468	\$ 268,142
	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, 2017, with comparative information for 2016

21. Provincial Affordable Housing Program – York 29 Project:

For the purposes of the Affordable Housing Program, Grant Funding Dated Aug. 31, 2011, Article 20, Paragraph C(ii), Schedule C, 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:

Alberta housing grants	\$ 1,485,000	A	Committed funds returned to sustainable fund	\$ 44,907	J
Trico Contributions	438,340	B	Repayments returned to sustainable fund	666,559	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	72,277	N
Total initial funds available	<u>\$ 1,774,840</u>	E	Less: transfers to new AHOP projects/units	<u>345,605</u>	T
Current uncommitted funding (E-G)	<u>\$ -</u>	F	Sustainable funds remaining (note 3)	<u>\$ 258,116</u>	S
			Net committed funds remaining (F+K) (note 3)	<u>\$ 4,200</u>	P
			Restricted cash remaining (note 13)	<u>\$ 262,316</u>	R

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 21

Year ended December 31, 2017, with comparative information for 2016

21. 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	12,000	-	-	42,441	-
Unit 3	54,090	42,090	12,000	-	-	-	-
Unit 4	54,090	42,090	7,800	4,200	-	42,090	6,000
Unit 5	53,595	41,595	12,000	-	-	-	-
Unit 6	54,040	42,040	12,000	-	-	-	-
Unit 7	53,145	41,145	12,000	-	-	-	-
Unit 8	52,945	40,945	7,400	4,600	-	40,945	6,000
Unit 9	54,240	42,240	12,000	-	-	-	-
Unit 10	52,895	40,895	5,093	6,907	-	40,895	-
Unit 11	54,090	42,090	12,000	-	-	-	-
Unit 12	54,090	42,090	12,000	-	-	-	-
Unit 13	54,340	42,340	11,000	-	1,000	-	-
Unit 14	54,090	42,090	12,000	-	-	-	-
Unit 15	54,340	42,340	12,000	-	-	-	-
Unit 16	53,145	41,145	12,000	-	-	41,148	-
Unit 17	53,945	41,945	12,000	-	-	-	-
Unit 18	53,765	41,765	10,400	-	1,600	-	-
Unit 19	53,145	41,145	7,200	4,800	-	41,145	-
Unit 20	53,595	41,595	12,000	-	-	41,595	-
Unit 21	53,145	41,145	11,400	600	-	41,145	-
Unit 22	53,765	41,765	12,000	-	-	-	-
Unit 23	53,765	41,765	12,000	-	-	-	-
Unit 24	53,845	41,845	11,000	1,000	-	41,845	-
Unit 25	53,765	41,765	9,600	2,400	-	41,765	-

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 22

Year ended December 31, 2017, with comparative information for 2016

21. 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 26	53,765	41,765	4,800	7,200	—	41,765	—
Unit 27	53,765	41,765	11,200	800	—	41,765	—
Unit 28	54,015	42,015	10,800	1,200	—	42,015	—
Unit 29	54,015	42,015	8,400	3,600	—	42,015	6,000
Unit 30	54,095	42,095	10,400	1,600	—	42,095	—
Unit 31	53,845	41,845	11,400	—	600	—	—
Unit 32	53,845	41,845	11,400	—	600	—	—
Unit 33	53,845	41,845	11,600	—	400	—	—
	\$ 1,774,840	\$ 1,378,840	\$ 346,893	\$ 44,907	\$ 4,200	\$ 666,559	\$ 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, 2017, with comparative information for 2016

22. 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, 2017, 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 (10 units)	<u>45,000</u>	B	Repayments returned to sustainable fund	-	L
Total initial funds available	<u>\$ 315,844</u>	C	Less: continuing grants to departing clients	-	M
Less: Administration fees (4 units)	18,000	D	Less: back end administrative costs	-	N
Current uncommitted funding (C-D-G)	<u>\$ 124,525</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>\$ 124,525</u>	P
			Restricted cash remaining (note 13)	<u>\$ 124,525</u>	R

HABITAT FOR HUMANITY SOUTHERN ALBERTA SOCIETY

Notes to Consolidated Financial Statements, page 24

Year ended December 31, 2017, with comparative information for 2016

22. 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	-	-	-	-	-
Unit 9	13,677	13,677	-	-	-	-	-
Unit 10	13,687	13,687	-	-	-	-	-
Unit 11	13,687	13,687	-	-	-	-	-
Unit 12	12,445	12,445	-	-	-	-	-
Unit 13	13,308	13,308	-	-	-	-	-
Unit 14	12,474	12,474	-	-	-	-	-
	\$ 173,319	\$ 173,319	\$ -	\$ -	\$ -	\$ -	\$ -
	G	H	I	J	K=G-H-I-J	L	M