

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Financial Statements
For the Year Ended December 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

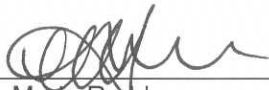
The accompanying financial statements for the year ended December 31, 2020 are the responsibility of management and have been reviewed and approved by senior management. The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and of necessity, include some amounts that are based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of donations and other revenue.
- safeguard the assets and properties under Habitat for Humanity - Edmonton Society's administration.

Habitat for Humanity - Edmonton Society carries out its responsibility for the financial statements through its Board of Directors. The Board of Directors meets with management and KPMG LLP to review financial matters, and to approve the financial statements upon finalization of the audit. KPMG LLP has free access to the Board of Directors.

KPMG LLP provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and procedures, which allow them to report on the fairness of the financial statements prepared by management.



Ann-Marie Reedy
President and Chief Executive Officer
Habitat for Humanity – Edmonton Society

March 25, 2021



KPMG LLP
2200, 10175 – 101 Street
Edmonton, AB T5J 0H3
Telephone (780) 429-7300
Fax (780) 429-7379
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Directors of Habitat for Humanity – Edmonton Society

Opinion

We have audited the financial statements of Habitat for Humanity – Edmonton Society (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flow for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of its operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

March 25, 2021

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Table of Contents
Year ended December 31, 2020

	<u>PAGE</u>
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Schedule 1 - Schedule of Homes Held for Sale	21
Schedule 2 - Schedule of Program Expenses	22
Schedule 3 - Schedule of ReStore Operations	23
Schedule 4 - Schedule of General and Administrative Expenses	24

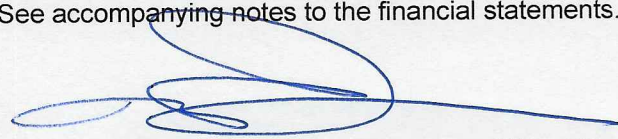
HABITAT FOR HUMANITY – EDMONTON SOCIETY
Statement of Financial Position
Year Ended December 31, 2020 with comparative information for 2019


	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash	\$ 4,398	\$ 5,627
Investments (Note 3)	1,292,445	631,298
Accounts receivable (Note 4)	1,363,357	725,544
Other current assets (Note 5)	465,396	530,502
Current portion of mortgages receivable (Note 6)	1,536,207	1,497,155
Homes held for sale (Note 7)	36,886,696	40,459,671
Construction in progress (Note 7)	2,080,786	86,223
Land for future builds (Note 7)	1,149,537	2,428,909
	<u>44,778,822</u>	<u>46,364,929</u>
Mortgages receivable (Note 6)	41,894,186	39,389,822
Capital assets (Note 8)	1,793,677	1,818,873
	<u>\$ 88,466,685</u>	<u>\$ 87,573,624</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Operating loan (Note 9)	\$ 2,658,332	\$ 3,341,025
Accounts payable and accrued liabilities (Note 18)	965,377	744,741
Amounts held on behalf of Partner Families	592,148	511,711
Tenancy deposits	1,360,759	1,486,291
Due to Habitat for Humanity affiliates (Note 10)	141,875	22,808
Deferred contributions (Note 12)	771,764	1,346,155
Deferred capital contributions (Note 13)	3,474	-
Current portion of term debt (Note 9)	8,295,630	1,540,131
	<u>14,789,359</u>	<u>8,992,862</u>
Long term liabilities		
Deferred capital contributions (Note 13)	80,468	-
Term debt (Note 9)	16,270,796	21,373,729
	<u>16,351,264</u>	<u>21,373,729</u>
NET ASSETS		
Internally restricted investments	1,292,445	631,298
Invested in capital assets	1,709,735	1,818,873
Unrestricted	54,323,882	54,756,862
	<u>57,326,062</u>	<u>57,207,033</u>
	<u>\$ 88,466,685</u>	<u>\$ 87,573,624</u>

Commitments (Note 14); Impact of COVID-19 (Note 23)
 See accompanying notes to the financial statements.


 Chair, Board of Directors


 Chair, Audit & Risk Committee

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Statement of Operations
Year Ended December 31, 2020 with comparative information for 2019

	<u>2020</u>	<u>2019</u>
REVENUE		
Donations and fundraising	\$ 2,293,849	\$ 1,968,474
In kind donations (Note 15)	249,995	1,929,046
Government grants (Note 16)	3,971,230	754,935
Other income	269,723	207,565
Investment income	84,218	-
	<hr/> 6,869,015	<hr/> 4,860,020
SALES AND COST OF SALES		
Home sales	13,132,675	3,568,997
Mortgage discount income (Note 6)	2,032,848	2,488,244
Cost of home sales and building operations	(15,371,805)	(8,113,131)
Loss on transfer of homes (Note 17)	-	(5,212,151)
Mortgage discount expense (Note 6)	(2,367,938)	(582,608)
	<hr/> (2,574,220)	<hr/> (7,850,649)
PROGRAM EXPENSES (Schedule 2)		
Family and community support	(1,047,777)	(1,123,124)
Interest on bank overdraft and debt	(871,779)	(1,087,666)
Volunteer support	(354,199)	(444,962)
Capacity building	(287,374)	(514,569)
	<hr/> (2,561,129)	<hr/> (3,170,321)
NET PROGRAM ACTIVITY	<hr/> \$ 1,733,666	<hr/> (6,160,950)
RESTORE OPERATIONS (Schedule 3)		
Revenue	3,910,903	4,639,614
Expenses	(2,880,753)	(3,188,115)
	<hr/> 1,030,150	<hr/> 1,451,499
PREFAB CONTRIBUTION CENTRE		
Revenue	144,737	97,059
Expenses	(153,362)	(68,233)
	<hr/> (8,625)	<hr/> 28,826
GENERAL AND ADMINISTRATIVE EXPENSES (Schedule 4)	(2,636,162)	(2,629,763)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<hr/> \$ 119,029	<hr/> \$ (7,310,388)

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2020 with comparative information for 2019

	Internally Restricted Investments	Invested in Capital Assets	Unrestricted	2020	2019
Balance, beginning of year	\$ 631,298	\$ 1,818,873	\$ 54,756,862	\$ 57,207,033	\$ 64,517,421
Excess of revenue over expenses	-	2,895	116,134	119,029	(7,310,388)
Investment in internally restricted funds	661,147	-	(661,147)	-	-
Investment in capital assets	-	36,502	(36,502)	-	-
Amortization of capital assets	-	(148,535)	148,535	-	-
Balance, end of year	\$ 1,292,445	\$ 1,709,735	\$ 54,323,882	\$ 57,326,062	\$ 57,207,033

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Statement of Cash Flows
Year Ended December 31, 2020 with comparative information for 2019

	<u>2020</u>	<u>2019</u>
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Excess of revenue over expenses	\$ 119,029	\$ (7,310,388)
Non-cash items:		
Amortization of capital assets	148,535	184,187
Amortization of deferred capital contributions	(2,895)	(18,882)
	<u>264,669</u>	<u>(7,145,083)</u>
Change in non-cash working capital:		
(Increase) decrease in accounts receivable	(637,813)	451,174
Decrease in other current assets	65,106	332,663
Decrease (increase) in homes held for sale	3,572,975	(6,926,442)
(Increases) decrease in construction in progress	(1,994,563)	6,869,093
Decrease (increase) in land for future builds	1,279,372	(1,128,904)
(Decrease) accounts payable and accrued liabilities	220,636	(43,782)
Increase in amounts held on behalf of Partner Families	80,437	7,151
(Decrease) increase in tenancy deposits	(125,532)	627,943
Increase in due to affiliates	119,067	22,808
Increase in deferred capital contributions	86,837	-
(Decrease) increase in deferred contributions	(574,391)	553,447
	<u>2,356,800</u>	<u>(6,379,932)</u>
INVESTMENTS:		
(Increase) in investments	(661,147)	(631,298)
(Increase) decrease in mortgage receivable	(2,543,416)	5,884,807
Purchase of capital assets	(123,339)	(213,024)
	<u>(3,327,902)</u>	<u>5,040,485</u>
FINANCING:		
(Repayment) of operating loan	(682,693)	(36,440)
Proceeds from debt	2,233,675	2,100,664
Repayments of debt principal	(581,109)	(762,640)
	<u>969,873</u>	<u>1,301,584</u>
Decrease in cash	(1,229)	(37,863)
Cash, beginning of year	5,627	43,490
Cash, end of year	\$ 4,398	\$ 5,627

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY – EDMONTON SOCIETY

Notes to Financial Statements

Year ended December 31, 2020

1. PURPOSE OF THE SOCIETY

Habitat for Humanity – Edmonton Society (the “Society”) is a housing charity operating in affiliation with Habitat for Humanity Canada and Habitat for Humanity International. The Society’s vision is to see a world where everyone has a safe and decent place to live.

The Society operates throughout northern Alberta with a mission to mobilize volunteers and community partners in building affordable housing and promoting home ownership as a means to breaking the cycle of poverty. In order to support administrative and fundraising efforts, the Society also sells donated goods and materials at stores called ReStore. The Society has an additional social enterprise through the Prefab Contribution Centre whereby excess capacity is mobilized to build walls and floors for third parties.

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

The Society’s homeownership program is established as follows:

- a) A family who meets the eligibility criteria is given occupancy to a Society-owned home, making them a Partner Family;
- b) A Partner Family is considered a tenant in the first year of occupancy until they complete the requirements to become a homeowner. During this phase, monthly tenancy deposits are paid to the Society. Tenancy deposits become Partner Family home equity when all requirements for home ownership are fulfilled and a mortgage is offered. Prior to 2019, a non-interest bearing mortgage (“Legacy Mortgage”) was held by the Society for each Partner Family. In late 2020, a decision was made to eliminate this tenancy period for all new entrants into the program;
- c) Starting in 2019, the Society partnered with a third-party financial institution to offer families preferred rate interest bearing first mortgages of between 30% and 50% of the home sales value, with the initial first mortgage proceeds being paid directly to the Society. These first mortgages are strictly between the family and the financial institution, and thus are arms-length to the Society. The remaining balance owing to the Society at the time of sale is held by the Society in a non-interest bearing second mortgage, payable in full after 20 years. This new mortgage model is referred to as the “Open Market Mortgage”.
- d) A Partner Family’s monthly payments to the Society at inception are no more than 30 percent of annual income. These payments include amounts for home insurance, condo fees and property taxes which are remitted annually by the Society. An additional program fee of \$125 per month is also charged to new families taking occupancy in homes which are not a part of a condo.
- e) If a Partner Family leaves the program, the Society holds a right of first refusal to repurchase the home sold to a Partner Family. Depending on when the mortgage was originally signed, there are two approaches by the Society to repurchase homes:
 - i) For Legacy Mortgages, all home equity earned (tenancy deposits, mortgage payments and security deposits) is repaid to the Partner Family, less any legal fees or excessive damage costs associated with the home;

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

1. PURPOSE OF THE SOCIETY (continued)

- ii) For Open Market Mortgages, equity paid by the Society will be calculated based on the difference between the opening sales price of the home and the current mortgage balances outstanding, less any term cancelation penalties charged by the third party financial institution as well as legal fees and excessive damage costs associated with the home.

Depending on their tenure under mortgage, families may also be entitled to share in both the market home appreciation and depreciation.

The Society incurs various costs, which are expensed as incurred, as part of both its construction and complementary programs to support the homeownership mission as follows:

- f) As the Society's primary mission is to serve families, the Society operates a Family Services department which supports Partner Families from selection through the duration of the mortgages. This department is responsible for numerous family related services such as family selection, homeownership training (covering budgeting, home maintenance and other related aspects of homeownership to ensure families are ready for homeownership) and collection of payments to the Fund for Humanity;
- g) In rural communities, committees are formed to facilitate the family selection process, the day-to-day build activities and local fundraising;
- h) For each family served in a year, \$2,500 is allocated through Habitat for Humanity Canada ("HfHC") as a tithe to build a home elsewhere in the world. The Society uses HfHC's definition of family served which includes new homes and repurchased homes where the original family was in the home for more than two years;
- i) As part of the Society's strategic plan to serve more families, debt is periodically used to help fund the construction of new homes.
- j) Volunteers are mobilized in all facets of the organization including the building of homes, the operation of two social enterprises (Prefab Contribution Centre and ReStore), the Partner Family selection process and other ancillary tasks such as administration;
- k) The Society's Prefab Shop provides a safe and efficient environment where trained construction staff led volunteers in the construction of walls, floors and other wood based home components.
- l) Costs of using the facility are directly allocated to builds and any excess capacity is expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES

- a) Basis of Presentation

The financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Controlled Entities

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

c) Cash

Cash consists of cash on hand.

d) Mortgages Receivable

The Society provides non-interest bearing mortgages to its Partner Families. Mortgages are recorded at fair value at inception and are subsequently recognized at amortized cost.

The Society offered forgivable second mortgages to certain Partner Families as part of its Legacy Mortgage Model. Due to the uncertainty of collection, the Legacy second mortgages are recognized at a fair value of zero. If conditions arise that require forgivable portions to be repaid, or the right to forgiveness has been forfeited, the previously forgivable portion will be recognized as revenue.

e) Homes Held for Sale

Homes held for sale are reported at the lower of cost or net realizable value. Net realizable value is determined as market value (appraised value). Any excess costs over net realizable value are expensed in the year in which the impairment is identified.

f) Construction in Progress

Construction in progress comprises land, materials, labour, and other manufacturing costs accumulated to date for homes not yet completed. Construction in progress is valued at the lower of cost or net realizable value and any excess costs over net realizable value is expensed in the year in which the impairment is identified.

g) Land for Future Builds

Land for future builds includes fully serviced lots and raw land purchased for development. Land is valued at the lower of cost or net realizable value and includes lot costs, undeveloped land costs, underground servicing, and rezoning fees.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

Building, Habitat Centre	25 years
Construction equipment	5 years
Leasehold improvements	lease term
Automotive equipment	5 years
Office equipment	5 years
Retail equipment	5 years

i) Amounts Held on Behalf of Partner Families

Property tax and home insurance premiums are collected monthly in advance from Partner Families and remitted annually by the Society.

j) Tenant Deposits

Security deposits and monthly tenancy payments received from Partner Families while in the tenancy phase are offset against the sales price of the home at the time a mortgage is granted by the Society.

k) Revenue Recognition

The Society follows the deferral method of accounting for contributions, which include donations and government grants. Restricted contributions are recognized as revenue during the year in which the related construction costs are incurred for projects under development. Unrestricted contributions and pledges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized when earned. Restricted investment income is recognized in revenue in the year in which the related expenses are incurred.

Externally restricted capital contributions are deferred and amortized into revenue at the corresponding amortization rate of the related capital assets.

Home sales are recognized at the date the mortgage is entered into, at which time all the rights and responsibilities of ownership are transferred to partner families.

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

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

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Donated Goods and Services

Goods donated to ReStore are not recorded as inventory in these financial statements because fair value cannot be reasonably determined.

Other donated goods or services are recorded when fair value can be reasonably estimated.

A substantial number of volunteers make significant contributions of their time to the Society; the fair value of this contributed time is not quantifiable and thus is not reflected in these financial statements.

m) Internally restricted net assets

The Board has approved the restriction of certain net assets to be used in the future to fund home repurchases.

n) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment at the end of the fiscal year. Where an impairment is identified, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

o) Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Actual results could differ from these estimates.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

3. INVESTMENTS

	<u>2020</u>	<u>2019</u>
Cash and short-term	\$ 62,280	\$ 175,908
Fixed income	571,319	304,154
Canadian equities	240,328	-
Non-Canadian equities	418,518	151,236
	<u>\$ 1,292,445</u>	<u>\$ 631,298</u>

4. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Canada Emergency Wage Subsidy	\$ 689,799	\$ -
Grants	430,000	432,552
Trade	129,725	111,320
Other	99,410	97,630
Due from Condominium Corporations (Note 20)	14,423	84,042
	<u>\$ 1,363,357</u>	<u>\$ 725,544</u>

5. OTHER CURRENT ASSETS

	<u>2020</u>	<u>2019</u>
Laurel land deposit	\$ 200,000	\$ 200,000
Prepaid rent and insurance	127,246	136,077
Consumable inventory	111,323	159,755
Other deposits	26,827	34,670
	<u>\$ 465,396</u>	<u>\$ 530,502</u>

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

6. MORTGAGES RECEIVABLE

a) Legacy Mortgages

	<u>2020</u>	<u>2019</u>
Gross mortgages receivable	\$ 51,331,615	\$ 50,015,666
Unamortized mortgage discount	<u>(10,106,588)</u>	<u>(10,241,393)</u>
Present value of mortgages receivable	41,225,027	39,774,273
Less: Current portion	<u>(1,488,312)</u>	<u>(1,464,723)</u>
Long-term portion	<u>\$ 39,736,715</u>	<u>\$ 38,309,550</u>

During 2020, 35 Legacy Mortgages (2019 - nil) were signed with associated home costs of \$9,449,072 (2019 - \$0). At December 31, 2020, 271 (2019 - 265) Legacy Mortgages remain outstanding. A mortgage discount expense of \$1,786,209 (2019 - \$0) was recognized on Legacy Mortgages during the year. Legacy Mortgage interest income during the year is \$1,921,014 (2019 - \$2,486,534).

b) Open Market Mortgages

	<u>2020</u>	<u>2019</u>
Gross Open Market Mortgages receivable	\$ 3,256,160	\$ 1,693,602
Unamortized mortgage discount	<u>(1,050,794)</u>	<u>(580,898)</u>
Present value of Open Mortgages receivable	2,205,366	1,112,704
Less: Current portion	<u>(47,895)</u>	<u>(32,432)</u>
Long-term portion	<u>\$ 2,157,471</u>	<u>\$ 1,080,272</u>

During 2020, 14 Open Market Mortgages (2019 - 13) were signed with associated home costs of \$3,637,800 (2019 - \$3,529,803). At December 31, 2020, 25 (2019 - 13) Open Market Mortgages remain outstanding. A mortgage discount expense of \$581,729 (2019 - \$582,608) was recognized on Open Market Mortgages during the year. Mortgage interest income during the year is \$111,834 (2019 - \$1,710).

c) Forgivable Second Mortgages

Forgivable second mortgages, representing 20% of the appraised value of homes sold, relate to properties sold by the Society from 1998 to 2005. Repayments of second mortgages, based on the resale of the home, are governed by the following terms: within the first 12 years of issuance, full repayment is required; from 12 years to 25 years a predetermined discounted repayment is required; and after 25 years the mortgage is fully forgiven.

At December 31, 2020, 33 (2019 - 38) forgivable second mortgages remain, totaling \$1,279,921 (2019 - \$1,447,887). These balances are reflected at a fair value of \$0. During 2020 there were 2 (2019 - 2) forgivable second mortgage repayments and 3 (2019 - 1) forgiven second mortgages.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

7. HOME ASSET INVENTORY

	<u>2020</u>	<u>2019</u>
Houses held for sale (<i>Schedule 1</i>)	157 units	167 units
Homes under construction	6 units	- units
Land for future builds	12 units	27 units

8. CAPITAL ASSETS

	Cost	Accumulated Amortization	<u>Net Book Value</u>	
			2020	2019
Building, Habitat Centre	\$ 2,364,274	\$ 1,025,633	\$ 1,338,641	\$ 1,421,002
Land	235,000	-	235,000	235,000
Retail equipment	300,799	171,582	129,217	28,605
Automotive equipment	536,128	491,634	44,494	70,071
Office equipment	512,549	483,913	28,636	28,423
Construction equipment	555,725	545,953	9,772	23,317
Leasehold improvements	299,197	291,280	7,917	12,455
	<u>\$ 4,803,672</u>	<u>\$ 3,009,995</u>	<u>\$ 1,793,677</u>	<u>\$ 1,818,873</u>

Amortization of construction equipment and equipment under capital lease during the year of \$17,182 (2019 - \$31,245) is recognized as part of the total cost of home sales and building operations and thus is not separately reflected in the Statement of Operations. Total amortization recognized during the year is \$148,535 (2019 - \$184,187).

9. OPERATING LOAN AND TERM DEBT

Amounts outstanding on authorized loan facilities with the Toronto-Dominion Bank ("TD") totaling \$34,000,000 (2019 - \$34,000,000) are as follows:

Operating loan, available by way of prime rate loans, letters of credit and stand-by letters of guarantee, authorized to \$6,500,000, due on demand and secured by assignment general mortgage and homes held for sale excluding properties located on Crown, Metis, or leased land in addition to a general security agreement covering all property.

Committed revolving facility, available by way of fixed and floating rate term loans, authorized to \$27,500,000, amortized to a maximum of 20 years, secured by demand promissory notes and assignment of general mortgage and homes held for sale excluding properties located on Crown, Metis, or leased land in addition to a general security agreement covering all property. Various variable and fixed term interest rate advances outstanding are as follows:

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

9. OPERATING LOAN AND TERM DEBT (continued)

	2020	2019
	<hr/>	<hr/>
TD fixed term loan, interest at 2.05% per annum, due January 31, 2021	\$ 3,326,295	\$ -
TD fixed term loan, interest at 2.05% per annum, due July 31, 2021	3,326,295	-
TD fixed term loan, interest at 2.05% per annum, due August 30, 2021	986,263	-
TD fixed term loan, interest at 2.06% per annum, due November 30, 2023	995,820	-
TD fixed term loan, interest at 3.5% per annum, to March 30, 2021, 0.15% per annum above TD's prime lending rate thereafter, due March 30, 2024	5,227,653	5,360,015
TD fixed term loan, interest at 3.7% per annum, to March 30, 2022, 0.15% per annum above TD's prime lending rate thereafter, due March 30, 2024	5,233,713	5,363,347
TD fixed term loan, interest at 3.8% per annum, to March 30, 2023, 0.15% per annum above TD's prime lending rate thereafter, due March 30, 2024	5,236,712	5,364,995
TD floating rate term loan, interest at 0.15% per annum above TD's prime lending rate, due March 30, 2024	-	485,283
TD fixed term loan, interest at 3.4% per annum, to March 30, 2020, 0.15% per annum above TD's prime lending rate thereafter, due March 30, 2024	-	5,358,331
TD fixed term loan, interest at 3.3% per annum, due June 30, 2020	-	981,889
	<hr/>	<hr/>
Total term loan	\$ 24,332,751	\$ 22,913,860
Operating loan	2,658,332	3,341,025
Total TD debt	\$ 26,991,083	\$ 26,254,885
	<hr/>	<hr/>

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

9. OPERATING LOAN AND TERM DEBT (continued)

	2020	2019
	<u> </u>	<u> </u>
CMHC term loan, interest at 0%, payable in full on February 22, 2022	15,000	-
CMHC forgivable loan, interest at 0%, forgivable over 20 years at 1/20 th per year	582,080	-
Unamortized CMHC loan discount	(363,405)	-
	<u> </u>	<u> </u>
Total CMHC debt	\$ 233,675	\$ -
	<u> </u>	<u> </u>
Total Debt	\$ 27,224,758	\$ 26,254,885
	<u> </u>	<u> </u>
Operating loan	\$ 2,658,332	\$ 3,341,025
Current portion of term debt	8,295,630	1,540,131
Long-term portion of term debt	16,270,796	21,373,729
	<u> </u>	<u> </u>
	<u>\$ 27,224,758</u>	<u>\$ 26,254,885</u>

The funds available under the operating loan are reduced by any outstanding letters of credit issued pursuant to this facility agreement. At December 31, 2020, the Society had outstanding letters of credit, totaling \$791,370 (2019 - \$826,370).

The Society must maintain a Debt Service Coverage (DSC) ratio of not less than 100% at all times. The DSC is adjusted by certain non-recurring or unusual items that may occur during the period. At December 31, 2020, the Society was in compliance with the DSC ratio.

The level of financing under the committed revolving facility and operating loan will at all times be the lessor of:

- A. Authorized Credit Limits and
- B. The total of:
 - i) 60% of the principal balance of first position mortgages on eligible first position mortgages in good standing plus;
 - ii) 60% of the value of eligible properties held for resale.

As a condition of forgiveness on the CMHC forgivable loan, the associated 8 homes funded must remain in the affordable housing pool over the allotted 20 year term.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

9. OPERATING LOAN AND TERM DEBT (continued)

Scheduled total combined TD and CMHC principal payments required for the next five years are due as follows:

2021	\$	8,295,630
2022		694,759
2023		1,575,350
2024		13,781,307
2025		-
Thereafter		<u>219,380</u>
	\$	<u><u>24,566,426</u></u>

10. DUE TO HABITAT FOR HUMANITY AFFILIATES

Government of Alberta – *Affordable Housing Program* funding is administered by the Society for all Habitat for Humanity affiliates in Alberta. Other than acting as administrator of these funds, there are no financial transactions between the Society and other Habitat for Humanity affiliates in Alberta. The assets, liabilities, net assets, and results of operations for affiliates are not included in these financial statements.

11. RIGHT OF FIRST REFUSAL

Beginning in 2006, the Society included a clause in mortgage agreements which allows the Society the right of first refusal to repurchase homes should the Partner Family decide to sell their home. The required buyback payment is calculated as the difference between the original sale price of the home to the Partner Family less any outstanding balances on the related mortgage.

During 2020, there were 48 (2019 – 33) homes repurchased from Partner Families with total accumulated equity of \$2,196,949 (2019 - \$1,221,448) paid to Partner Families.

12. DEFERRED CONTRIBUTIONS

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,346,155	\$ 792,708
Contributions	4,391,230	1,308,382
Recognized as revenue (government grants) (Note 16)	(3,971,230)	(754,935)
Recognized as revenue (other donations and fundraising)	<u>(994,391)</u>	<u>-</u>
Balance, end of year	<u><u>\$ 771,764</u></u>	<u><u>\$ 1,346,155</u></u>

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

13. DEFERRED CAPITAL CONTRIBUTIONS

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ -	\$ 18,882
Contributions	86,837	-
Recognized as other revenue	<u>(2,895)</u>	<u>(18,882)</u>
Balance, end of year	83,942	-
Less: Current portion	<u>(3,474)</u>	<u>-</u>
Long-term portion	<u>\$ 80,468</u>	<u>\$ -</u>

14. COMMITMENTS

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

2021	\$ 1,194,480
2022	979,663
2023	910,760
2024	745,982
2025	581,204
Thereafter	<u>2,117,369</u>
	<u>\$ 6,529,458</u>

15. IN KIND DONATIONS

	<u>2020</u>	<u>2019</u>
Build donations	\$ 249,995	\$ 822,546
Land donations	<u>-</u>	<u>1,106,500</u>
	<u>\$ 249,995</u>	<u>\$ 1,929,046</u>

At the end of 2019, the Society received a land donation of six lots from the City of Edmonton valued at \$1,106,500.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

16. GOVERNMENT GRANT PROGRAM REVENUE

	<u>2020</u>	<u>2019</u>
Government of Alberta grants	\$ 1,613,694	\$ 373,727
Canada Emergency Wage Subsidy	1,283,131	-
Municipal grants	696,000	61,000
CMHC forgivable loan discount (<i>Notes 12, 13</i>)	363,405	
CMHC grant	15,000	
Government of Alberta Energy Efficiency grant	-	320,208
	<u>\$ 3,971,230</u>	<u>\$ 754,935</u>

17. LOSS ON TRANSFER OF HOMES

	<u>2020</u>	<u>2019</u>
Metis Settlement homes divestiture	\$ -	\$ (5,212,151)
	<u>\$ -</u>	<u>\$ (5,212,151)</u>

In June 2019, in consultation with the Province of Alberta and the Metis Settlements General Council (MSGC), the Society transferred the ownership of 24 homes built on Alberta Metis Settlement lands to the MSGC. These homes were originally constructed using funding provided from the trilateral agreement with both the Province and the MSGC. The resulting write-down on the 10 First Mortgage Receivables and 14 Homes Held for Sale equated to \$5,212,151. \$524,997 of Mortgage Discount Income was also recognized based on the elimination of the 10 First Mortgages.

18. GOVERNMENT REMITTANCES

Included in accounts payable and accrued liabilities at year-end are government remittances payable of \$56,322 (2019 - \$52,403).

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

19. CONTROLLED ENTITIES

The revenue and expenses of the eleven condominium corporations controlled by the Society are collected and paid respectively by the Society and reimbursed by each condominium corporation. If one of the condominium corporations does not have sufficient cash to reimburse the Society, the balance remains until sufficient funds exist; interest of 1% is payable on designated balances.

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

At December 31, 2020, the Society's receivables include \$14,423 due from condominium corporations (2019 - \$84,042).

Combined financial summaries of these controlled entities as at December 31, 2020 and 2019 and for the years then ended are as follows:

	<u>2020</u>	<u>2019</u>
Financial Position		
Total assets	<u>\$ 1,006,817</u>	<u>\$ 737,454</u>
Total liabilities	39,148	84,799
Total net assets	<u>967,669</u>	<u>652,655</u>
	<u>\$ 1,006,817</u>	<u>\$ 737,454</u>
Results from Operations		
Total revenue	\$ 1,084,260	\$ 885,890
Total expenses	<u>(769,246)</u>	<u>(775,255)</u>
Excess of revenue over expenses	<u>\$ 315,014</u>	<u>\$ 110,635</u>
	<u>2020</u>	<u>2019</u>
Cash Flows		
Cash from operations	\$ 189,455	\$ 146,257
Cash used in financing and investing activities	<u>-</u>	<u>-</u>
Increase in cash	<u>\$ 189,455</u>	<u>\$ 146,257</u>

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

20. MORTGAGE AND TENANCY RECEIPTS

Mortgage and Tenancy receipts (internally known as the Fund for Humanity) represents funds collected from Partner Families through mortgage payments and tenancy prepayments. These funds are used as follows: 1) reinvested in building or acquiring additional homes, 2) repaying debt, and 3) funding an investment reserve to fund future buybacks. The following amounts were paid into the Fund for Humanity during the year:

	<u>2020</u>	<u>2019</u>
Legacy Mortgage payments	\$ 2,311,006	\$ 2,620,869
Open Market Mortgage payments	1,591,568	1,706,289
Tenancy payments	1,131,657	1,188,895
Rental payments recognized as income	56,400	52,800
Forgivable second mortgage payments	<u>25,350</u>	<u>30,750</u>
	<u>\$ 5,115,981</u>	<u>\$ 5,599,603</u>

21. HABITAT FOR HUMANITY CANADA FEES

The Society remits payments for national programs and initiatives based on the number of families served, ReStore sales and nationally administrated gifts in kind. The Society expensed a tithe fee of \$2,500 for 45 (2019 – 52) families served. Fees incurred during the year consists of the following:

	<u>2020</u>	<u>2019</u>
ReStore fees	\$ 169,261	\$ 184,539
Tithe fees	112,500	130,000
Annual Fee	50,000	50,000
Build & Restore gift in kind fees	<u>5,703</u>	<u>18,201</u>
	<u>\$ 337,464</u>	<u>\$ 382,740</u>

22. FINANCIAL RISK

a) Credit Risk

The Society is exposed to credit risk in the event of non-payment of mortgages by Partner Families or from non-collection of accounts receivable. Management believes that the credit risk from non-collection of mortgages is mitigated as the carrying value of the mortgages is secured by the value of the underlying homes. Further, the credit risk arising from non-payment of accounts receivable balances is minimal as the amounts are due primarily from government bodies.

The Society is exposed to real estate fluctuation risks on repurchased homes. The repurchase price is based on the fair market value at the time of the original Partner Family's move in date, while the subsequent sales price to the new Partner Family is based on the current market value.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Notes to Financial Statements
Year ended December 31, 2020

22. FINANCIAL RISK (continued)

b) Liquidity Risk

The Society manages its liquidity risk by monitoring forecasted and actual cash flows and financial liabilities.

c) Market Risk

Market risk is comprised of currency risk, interest rate risk and other price risk. The Society is exposed to fluctuations in interest rates as its banking facilities bear interest at variable rates. The mortgages receivable do not bear interest rate risk given that they are non-interest bearing. The Society is not exposed to significant currency risk or other price risk.

23. IMPACT OF COVID-19

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Society has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- All ReStore retail locations have restricted customer shopping capacity and reduced store operating hours to the date of the auditor's report based on public health guidelines; in-home donation pickups have been eliminated (curbside and business pickups only);
- While efforts continue to maintain employment for all staff leveraging federal COVID-19 relief subsidies, temporary wage and pension reductions were made to higher income earners early in the pandemic;
- Volunteer capacity has been dramatically reduced (both to the general public and partner families);
- While fundraising activities continue, event activities have been reduced or moved to an on-line environment;
- Partner Family monthly mortgage payments have been deferred for families experiencing financial hardship;
- Where feasible, staff have been encouraged to work from home; Provincial rules around social distancing are being enforced for all staff and volunteers.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Schedule of Homes Held for Sale
Year ended December 31, 2020

SCHEDULE 1

	Number of Homes		2020
Edmonton	69	\$	17,588,895
Fort Saskatchewan	11		3,545,108
St Albert	12		2,965,019
Grand Prairie	8		2,456,000
Cold Lake	21		2,304,310
Edson	10		2,160,374
Stony Plain	10		1,974,673
Spruce Grove	3		839,000
Lloydminster	3		565,000
Sherwood Park	2		559,014
Rocky Mountain House	2		453,390
Leduc	1		358,806
Devon	1		302,519
Whitecourt	1		260,168
Wetaskiwin	1		223,000
Fairview	1		180,000
Wainwright	1		151,420
	<u>157</u>	<u>\$</u>	<u>36,886,696</u>

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Schedule of Program Expenses
Year ended December 31, 2020

SCHEDULE 2

	<u>2020</u>	<u>2019</u>
FAMILY AND COMMUNITY SUPPORT		
Salaries and benefits	\$ 744,207	\$ 638,319
Partner Family home expenses	172,541	40,630
Habitat for Humanity Canada tithe	112,500	130,000
Other	15,412	19,625
Travel	3,117	8,809
Alberta Energy Efficiency Grant Expenditures	-	285,641
Amortization	<u>-</u>	<u>100</u>
	<u>1,047,777</u>	<u>1,123,124</u>
INTEREST ON BANK OVERDRAFT AND DEBT		
Interest on debt	771,987	936,435
Interest on bank overdraft	<u>99,792</u>	<u>151,231</u>
	<u>871,779</u>	<u>1,087,666</u>
VOLUNTEER SUPPORT		
Salaries and benefits	314,564	324,564
Volunteer meals and other expenses	39,035	120,398
Amortization	<u>600</u>	<u>-</u>
	<u>354,199</u>	<u>444,962</u>
CAPACITY BUILDING		
Facilities	250,099	467,718
Salaries and benefits	218,426	155,536
Amortization	3,934	5,901
Allocations to builds	<u>(185,085)</u>	<u>(114,586)</u>
	<u>287,374</u>	<u>514,569</u>
	<u>\$ 2,561,129</u>	<u>\$ 3,170,321</u>

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Schedule of ReStore Operations
Year ended December 31, 2020

SCHEDULE 3

	<u>2020</u>	<u>2019</u>
REVENUE		
Sales	\$ 3,755,718	\$ 4,566,372
Donations	121,126	46,126
Grants	29,000	20,335
Other income	<u>5,059</u>	<u>6,781</u>
	<u>3,910,903</u>	<u>4,639,614</u>
EXPENSES		
Salaries and benefits	1,752,406	2,041,792
Facilities	746,199	734,717
Fees and dues	173,989	188,671
Other	86,224	58,408
Amortization	35,028	56,819
Bank charges	31,557	39,305
Advertising and promotion	29,226	26,884
Travel	<u>26,124</u>	<u>41,519</u>
	<u>2,880,753</u>	<u>3,188,115</u>
RESTORE CONTRIBUTION	<u>\$ 1,030,150</u>	<u>\$ 1,451,499</u>
GROSS MARGIN	<u>26%</u>	<u>31%</u>

HABITAT FOR HUMANITY – EDMONTON SOCIETY
Schedule of General and Administrative Expenses
Year ended December 31, 2020

SCHEDULE 4

	<u>2020</u>	<u>2019</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	\$ 1,676,956	\$ 1,925,155
Professional fees	297,151	124,579
Contracted services	220,594	74,592
Amortization	91,791	90,122
Advertising and promotion	83,525	119,373
Facilities	81,865	75,118
Habitat for Humanity Canada fees	55,703	50,000
Office	47,910	61,782
Bank charges	41,710	56,649
Travel	21,284	29,456
Insurance	17,673	22,937
	<u>\$ 2,636,162</u>	<u>\$ 2,629,763</u>

Total 2020 costs of fundraising of \$515,732 (2019 - \$535,967) are included in General and Administrative Expenses. Excluding salaries and benefits of \$335,854 (2019 - \$416,594), a portion of these costs represent in-kind donations. \$96,353 (2019 - \$0) was paid as remuneration to a fund-raising business, including any expense or fees paid by the Society on behalf of the fund-raising business.