

Financial Statements of

**HABITAT FOR HUMANITY –
EDMONTON SOCIETY**

Year ended December 31, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements for the year ended December 31, 2021 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 Reddy
President and Chief Executive Officer
Habitat for Humanity – Edmonton Society

March 24, 2022



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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, 2021
- 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, 2021, 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 24, 2022

HABITAT FOR HUMANITY - EDMONTON SOCIETY

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HABITAT FOR HUMANITY - EDMONTON SOCIETY

Statement of Financial Position

As at December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 9,971	\$ 4,398
Accounts receivable (note 3)	759,982	1,363,357
Current portion of mortgages receivable (note 4)	1,831,866	1,536,207
Homes held for sale (Schedule 1)	24,972,200	36,886,696
Construction in progress (Schedule 1)	515,912	2,080,786
Land for future builds (Schedule 1)	1,079,440	1,149,537
Other current assets (note 5)	266,059	465,396
	29,435,430	43,486,377
Mortgages receivable (note 4)	45,757,505	41,894,186
Investments (note 6)	4,798,930	1,292,445
Capital assets (note 7)	1,695,982	1,793,677
	\$ 81,687,847	\$ 88,466,685

Liabilities and Net Assets

Current liabilities:		
Operating loan (note 8)	\$ 2,627,665	\$ 2,658,332
Accounts payable and accrued liabilities (note 9)	660,112	965,377
Due to Partner Families (note 10)	1,731,423	1,952,907
Due to affiliates (note 11)	21,875	141,875
Deferred contributions (note 12)	62,141	990,439
Deferred capital contributions (note 13)	26,338	3,474
Current portion of term debt (note 8)	5,829,245	8,280,630
	10,958,799	14,993,034
Deferred capital contributions (note 13)	148,578	80,468
Term debt (note 8)	17,505,892	16,067,121
	28,613,269	31,140,623
Net assets:		
Internally restricted	4,798,930	1,292,445
Invested in capital assets	1,521,066	1,709,735
Unrestricted	46,754,582	54,323,882
	53,074,578	57,326,062
Commitments (note 19)		
Impact of COVID-19 (note 21)		
	\$ 81,687,847	\$ 88,466,685

See accompanying notes to financial statements.


Chair, Board of Directors


Chair, Audit & Risk Committee

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenues:		
Donations and fundraising (note 14)	\$ 1,082,624	\$ 2,293,849
In kind donations	233,445	249,995
Government grants (note 15)	2,419,509	3,971,230
Other income	348,136	269,723
Investment income	275,974	84,218
	<u>4,359,688</u>	<u>6,869,015</u>
Sales and cost of sales (note 16):		
Home sales	23,101,306	13,132,675
Cost of home sales and building operations	(27,954,754)	(15,706,895)
	<u>(4,853,448)</u>	<u>(2,574,220)</u>
Program expenses (Schedule 2):		
Homeowner and community support	(1,159,698)	(1,047,777)
Interest on bank overdraft and debt	(786,300)	(871,779)
Volunteer support	(299,524)	(354,199)
Capacity building	(144,504)	(287,374)
	<u>(2,390,026)</u>	<u>(2,561,129)</u>
Net program activity	(2,883,786)	1,733,666
ReStore (Schedule 3):		
Revenue	5,005,731	3,910,903
Expenses	(3,839,212)	(2,880,753)
	<u>1,166,519</u>	<u>1,030,150</u>
Prefab Contribution Centre:		
Revenue	108,228	144,737
Expenses	(103,628)	(153,362)
	<u>4,600</u>	<u>(8,625)</u>
General and administrative expenses (Schedule 4)	(2,538,817)	(2,636,162)
(Deficiency) excess of revenue over expenses	\$ (4,251,484)	\$ 119,029

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Statement of Changes in Net Assets

Year ended December 31, 2021, with comparative information for 2020

	Internally restricted	Invested in capital assets	Unrestricted	2021	2020
Balance, beginning of year	\$ 1,292,445	\$ 1,709,735	\$ 54,323,882	\$ 57,326,062	\$ 57,207,033
Excess of revenue over expenses	-	11,521	(4,263,005)	(4,251,484)	119,029
Transfers	3,506,485	-	(3,506,485)	-	-
Investment in capital assets	-	(39,119)	39,119	-	-
Amortization of capital assets	-	(161,071)	161,071	-	-
Balance, end of year	\$ 4,798,930	\$ 1,521,066	\$ 46,754,582	\$ 53,074,578	\$ 57,326,062

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ (4,251,484)	\$ 119,029
Non-cash Items:		
Amortization of capital assets	161,071	148,535
Amortization of deferred capital contributions	(11,521)	(2,895)
	(4,101,934)	264,669
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	603,375	(637,813)
(Increase) in mortgage receivable	(4,158,978)	(2,543,416)
Decrease in homes held for sale	11,914,496	3,572,975
Decrease (increase) in construction in progress	1,564,874	(1,994,563)
Decrease in land for future builds	70,097	1,279,372
Decrease in other current assets	199,337	65,106
(Decrease) increase accounts payable and accrued liabilities	(305,265)	220,636
(Decrease) in due to Partner Families	(221,484)	(45,095)
(Decrease) increase in due to affiliates	(120,000)	119,067
Increase in deferred capital contributions	102,495	86,837
(Decrease) in deferred contributions	(928,298)	(574,391)
	4,618,715	(186,616)
Investments:		
Increase in investments	(3,506,485)	(661,147)
Purchase of capital assets	(63,376)	(123,339)
	(3,569,861)	(784,486)
Financing:		
Repayments of operating loan	(30,667)	(682,693)
Proceeds from debt	-	2,233,675
Repayments of debt principal	(1,012,614)	(581,109)
	(1,043,281)	969,873
Increase (decrease) in cash	5,573	(1,229)
Cash, beginning of year	4,398	5,627
Cash, end of year	\$ 9,971	\$ 4,398

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements

Year ended December 31, 2021

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 to support the acquisition of affordable housing and the promotion of 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.

In order to enter the Society's homeownership program, a family must meet certain eligibility criteria. Once these criteria have been met, a family is accepted into the program and becomes a Partner Family. Partner Families purchase a Society-owned home through an affordable mortgage that requires monthly payments of no more than 30% of the Partner Family's annual income at inception.

When a Partner Family leaves the program, the Society holds a right of first refusal to repurchase the home sold to a Partner Family. At the time of exiting the home, Partner Families are entitled to their principal mortgage payments less amounts required to repair damage to the home. Additionally, depending on their tenure in the program, some Partner Families may also be entitled to share in market appreciation of the home.

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.

b) Controlled entities:

Condominium corporations controlled by the Society are not consolidated in these statements.

c) Cash:

Cash consists of cash on hand.

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies:

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.

Historically, the Society offered forgivable second mortgages to certain Partner Families. Due to the uncertainty of collection, these forgivable 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.

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

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

i) 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.

j) Donated goods and services:

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

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

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

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

k) Internally restricted net assets:

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

l) 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.

m) 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 (continued)

Year ended December 31, 2021

3. Accounts receivable:

	2021	2020
Canada Emergency Wage Subsidy	\$ 18,539	\$ 689,799
Grants	573,979	430,000
Trade	59,793	129,725
Other	23,179	99,410
Due from condominium corporations	84,492	14,423
	<u>\$ 759,982</u>	<u>\$ 1,363,357</u>

4. Mortgages receivable:

The Society's mortgages receivable include two main types of mortgages, both of which are non-interest bearing. These mortgages are initially recorded at fair value, which is estimated as the present value of all future cash receipts, discounted using the prevailing market interest rate. These mortgages are subsequently recognized at amortized cost. Both the initial fair value adjustment and the annual amortization are recognized in cost of goods sold (note 16).

a) Legacy Mortgages:

A non-interest bearing first mortgage ("Legacy Mortgage") which is preceded by a minimum one-year tenancy period. 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 collected by the Society and will be applied against the opening mortgage for qualifying families. Mortgage repayment terms are based on family income levels, which are reviewed annually. During the year, there were 25 (2020 - 35) Legacy Mortgages signed, bringing the total number of Legacy Mortgages to 264 (2020 - 271).

b) Open Market Mortgages:

A non-interest bearing second mortgage ("Open Market Mortgage") where a third-party financial institution holds an interest-bearing first mortgage offered at preferred interest rates, while the Society holds a non-interest bearing second mortgage that is fully payable after 20 years. The opening first mortgage is between 30% and 50% of the home sales value, with the initial mortgage proceeds being paid directly to the Society. These first mortgages are strictly between the Partner Family and the financial institution, and thus are arms-length to the Society. There is no required one-year tenancy period for these Partner Families. During the year there were 60 (2020 - 14) Open Market Mortgages signed, bringing the total number of Open Market Mortgages to 82 (2020 - 25).

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

4. Mortgages receivable (continued):

	2021	2020
Legacy Mortgages		
Gross receivable	\$ 49,377,492	\$ 51,331,615
Unamortized fair value adjustment	(9,294,251)	(10,106,588)
Amortized cost	40,083,241	41,225,027
Less: current portion	(1,850,484)	(1,488,312)
Long-term portion	\$ 38,232,757	\$ 39,736,715
Open Market Mortgages		
Gross receivable	\$ 11,005,196	\$ 3,256,160
Unamortized fair value adjustment	(3,499,066)	(1,050,794)
Amortized cost	7,506,130	2,205,366
Less: current portion	18,618	(47,895)
Long-term portion	\$ 7,524,748	\$ 2,157,471
Total Mortgages		
Amortized cost	47,589,371	43,430,393
Less: current portion	(1,831,866)	(1,536,207)
Long-term portion	\$ 45,757,505	\$ 41,894,186

During 2021, there were 35 (2020 - 29) homes repurchased from Partner Families with total accumulated equity of \$2,045,733 (2020 - \$1,899,325) paid to Partner Families. Additionally, the Society refunded tenancy deposits to 12 Partner Families (19 - 2020), for a total of \$122,060 (2020 - \$297,624).

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

4. Mortgages receivable (continued):

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, 2021, 27 (2020 - 33) forgivable second mortgages remain, totaling \$956,755 (2020 - \$1,279,921). These balances are reflected at a fair value of \$0. During 2021 there were no (2020 - 2) forgivable second mortgage repayments and 1 (2020 - 3) forgiven second mortgages.

d) 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.

5. Other current assets:

	2021	2020
Laurel land deposit	\$ -	\$ 200,000
Prepaid rent and insurance	165,195	127,246
Consumable inventory	74,037	111,323
Other deposits	26,827	26,827
	<hr/>	<hr/>
	\$ 266,059	\$ 465,396

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

6. Investments:

	2021		2020	
Cash and short-term	\$	1,113,749	\$	62,280
Fixed income		1,506,685		571,319
Canadian equities		874,138		240,328
Non-Canadian equities		1,304,358		418,518
	\$	4,798,930	\$	1,292,445

7. Capital assets:

	2021		2020	
	Cost	Accumulated amortization	Net book value	Net book value
Building, Habitat Centre	\$ 2,364,274	\$ 1,110,991	\$ 1,253,283	\$ 1,338,641
Land	235,000	-	235,000	235,000
Retail equipment	329,906	208,901	121,005	129,217
Automotive equipment	427,371	400,252	27,119	44,494
Office equipment	552,995	496,941	56,054	28,636
Construction equipment	212,321	212,178	143	9,772
Leasehold improvements	299,197	295,819	3,378	7,917
	\$ 4,421,064	\$ 2,725,082	\$ 1,695,982	\$ 1,793,677

Amortization of construction equipment and equipment under capital lease during the year of \$3,807 (2020 - \$17,182) 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 \$161,071 (2020 - \$148,535).

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. Operating and term loans:

	2021	2020
Operating loan	\$ 2,627,665	2,658,332
Fixed term loan (35), interest at 2.13% per annum due March 30, 2026	1,119,599	-
Fixed term loan (31), interest at 2.05% per annum due November 30, 2023	954,998	995,820
Fixed term loan (28), interest at 2.00% per annum due February 28, 2024	3,174,679	-
Fixed term loan (15), interest at 3.70% per annum, to March 30, 2023, 0.15% per annum above prime lending rate thereafter, due March 30, 2022	5,029,629	5,233,713
Fixed term loan (16), interest at 3.80% per annum, to March 30, 2023, 0.15% per annum above prime lending rate thereafter, due March 30, 2023	5,034,487	5,236,712
Fixed term loan, interest at 3.50% per annum, to March 30, 2021, 0.15% per annum above prime lending rate thereafter, due March 30, 2024	-	5,227,653
Fixed term loan (37), interest at 0.15% per annum due November 30, 2023	943,768	-
Fixed term loan (14), interest at 2.79% per annum, to May 14, 2025, 0.15% per annum above prime lending rate thereafter, due March 30, 2026	3,886,656	-
Fixed term loan (36), interest at 3.13% per annum, due August 30, 2026	3,176,321	-
Fixed term loan, interest at 2.05% per annum, due January 31, 2021 - August 30, 2021	-	7,638,853
CMHC term loan, interest at 0%, payable in full on February 6, 2023	15,000	15,000
Total debt	25,962,802	27,006,083
Less: current portion of term loans	5,829,245	8,280,630
Less: operating loan	2,627,665	2,658,332
	\$ 17,505,892	\$ 16,067,121

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. Operating and term loans (continued):

- a) 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.
- b) 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.

The funds available under the operating loans are reduced by any outstanding letters of credit issued pursuant to this facility agreement. At December 31, 2021, the Society had outstanding letters of credit, totaling \$22,000 (2020 - \$791,370).

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, 2021, 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.

Interest of \$723,447 (2020 - \$771,987) for fixed term loans is included in the interest expense in the statement of operations.

Principal repayments over the next five years are due as follows:

2022	\$	5,829,245
2023		7,163,566
2024		3,228,431
2025		378,937
2026		6,734,958
	\$	<u>23,335,137</u>

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

9. Government remittances:

Included in accounts payable and accrued liabilities at year-end are government remittances payable of \$nil (2020 - \$56,322). Government remittances included in accounts receivable are \$7,785 (2020 - \$nil).

10. Due to Partner Families:

	2021	2020
Security and tenant deposits	\$ 1,037,321	\$ 1,432,149
Amounts to be remitted for property tax and insurance	694,102	520,758
	<u>\$ 1,731,423</u>	<u>\$ 1,952,907</u>

Under the Legacy Mortgage, there is a one-year tenancy period. During this period, monthly tenancy deposits are collected by the Society and will be applied against the opening mortgage for qualifying families.

11. Due to 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.

12. Deferred contributions:

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

	2021	2020
Balance, beginning of year	\$ 990,439	\$ 1,346,155
Contributions	1,510,834	4,609,905
Recognized as revenue (government grants) (note 15)	(2,419,509)	(3,971,230)
Recognized as revenue (other donations and fundraising)	(19,623)	(994,391)
Balance, end of year	<u>\$ 62,141</u>	<u>\$ 990,439</u>

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

13. Deferred capital contributions:

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

	2021		2020	
Balance, beginning of year	\$	83,942	\$	-
Contributions		102,495		86,837
Recognized as other revenue		(11,521)		(2,895)
Balance, end of year		174,916		83,942
Less: current portion		(26,338)		(3,474)
Long-term portion	\$	148,578	\$	80,468

14. Donations and fundraising

	2021		2020	
General donations	\$	1,082,624	\$	1,313,849
Grande Prairie home donation		-		980,000
	\$	1,082,624	\$	2,293,849

15. Government grant program revenue:

	2021		2020	
Government of Alberta grants	\$	871,522	\$	1,613,694
Canada Mortgage and Housing Corporation		730,175		378,405
Municipal grants		504,000		696,000
Canada Emergency Wage Subsidy		313,812		1,283,131
	\$	2,419,509	\$	3,971,230

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

16. Sales and cost of sales:

	2021	2020
Legacy Mortgages		
Home sales	\$ 6,833,806	\$ 9,485,675
Cost of home sales	(6,772,886)	(9,449,072)
Fair value adjustment (Note 4)	(1,248,596)	(1,786,209)
	(1,187,676)	(1,749,606)
Open Market Mortgages		
Home sales	\$ 16,267,500	\$ 3,647,000
Cost of home sales	(16,054,848)	(3,637,800)
Fair value adjustment (Note 4)	(2,652,852)	(581,729)
	(2,440,200)	(572,529)
Amortization of fair value adjustments (Note 4)		
Legacy Mortgages	2,060,932	1,921,014
Open Market Mortgages	204,580	111,834
Costs of repurchased homes	(1,740,795)	(1,190,191)
Other	(1,750,289)	(1,094,742)
	\$ (4,853,448)	\$ (2,574,220)

17. Mortgage and tenancy cash receipts:

Mortgage and tenancy cash receipts represents funds collected from Partner Families through mortgage payments and tenancy prepayments. These funds are used as follows: 1) repaying debt, 2) reinvesting in building or acquiring additional homes, and 3) funding an investment reserve to fund future buybacks. The following amounts were received during the year:

	2021	2020
Monthly mortgage payments	\$ 2,574,228	\$ 2,311,006
Open Market Mortgages – first mortgage proceeds	8,103,050	1,591,568
Tenancy payments	675,176	1,131,657
Rental payments recognized as income	59,200	56,400
Forgivable second mortgage payments	-	25,350
	\$ 11,411,654	\$ 5,115,981

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

18. 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 35 (2020 - 45) families served. Fees incurred during the year consists of the following:

	2021	2020
ReStore fees	\$ 201,373	\$ 169,261
Tithe fees	87,500	112,500
Annual fee	50,000	50,000
Build & Restore gift in kind fees	10,206	5,703
	\$ 349,079	\$ 337,464

19. Commitments:

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

2022	\$ 979,633
2023	910,760
2024	745,982
2025	581,204
2026	517,369
Thereafter	1,600,000
	\$ 5,334,948

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

20. 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.

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.

21. Impact of COVID-19:

In 2020, 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;

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

21. Impact of COVID-19 (continued):

- 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.

22. Comparative figures:

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

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Schedule 2 - Program Expenses

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Homeowner and community support		
Salaries and benefits	\$ 557,546	\$ 744,207
Partner Family home expenses	421,824	172,541
Habitat for Humanity Canada tithe	87,500	112,500
Other	52,066	15,412
Contracted services	39,038	-
Travel	1,724	3,117
	<u>1,159,698</u>	<u>1,047,777</u>
Interest on bank overdraft and debt		
Interest on debt	723,447	771,987
Interest on bank overdraft	62,853	99,792
	<u>786,300</u>	<u>871,779</u>
Volunteer support		
Salaries and benefits	257,486	314,564
Volunteer meals and other expenses	41,438	39,035
Amortization	600	600
	<u>299,524</u>	<u>354,199</u>
Capacity building		
Facilities	250,875	250,099
Salaries and benefits	85,545	218,426
Amortization	2,294	3,934
Allocations to builds	(194,210)	(185,085)
	<u>144,504</u>	<u>287,374</u>
	<u>\$ 2,390,026</u>	<u>\$ 2,561,129</u>

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Schedule 3 - ReStore

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue		
Sales	\$ 4,812,892	\$ 3,755,718
Donations	165,000	121,126
Grants	25,603	29,000
Other income	2,236	5,059
	<u>5,005,731</u>	<u>3,910,903</u>
Expenses		
Salaries and benefits	2,264,073	1,752,406
Facilities	1,103,577	746,199
Fees and dues	205,927	173,989
Other	81,017	86,224
Amortization	60,339	35,028
Travel	46,643	26,124
Bank charges	40,110	31,557
Advertising and promotion	37,526	29,226
	<u>3,839,212</u>	<u>2,880,753</u>
ReStore contribution	\$ 1,166,519	\$ 1,030,150
Gross margin	23%	26%

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Schedule 4 - General and Administrative Expenses

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Salaries and benefits	\$ 1,803,038	\$ 1,676,956
Advertising and promotion	134,600	83,525
Professional fees	121,070	297,151
Amortization	94,031	91,791
Facilities	92,284	81,865
Contracted services	73,092	220,594
Office	63,868	47,910
Habitat for Humanity Canada fees	60,206	55,703
Bank charges	51,272	41,710
Insurance	28,145	17,673
Travel	17,211	21,284
	\$ 2,538,817	\$ 2,636,162

Total costs of fundraising of \$554,486 (2020 - \$515,732) are included in General and Administrative Expenses. Excluding salaries and benefits of \$417,783 (2020 - \$335,854), a portion of these costs represent in-kind donations. \$0 (2020 - \$96,353) 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.