

**HABITAT FOR HUMANITY REGINA INC.**  
**Financial Statements**  
**For the Year Ended December 31, 2017**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements for the year ended December 31, 2017 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 – Regina Organization's administration.

Habitat for Humanity Regina Inc. 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.



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Kelly Holmes-Binns  
Chief Executive Officer  
Habitat for Humanity Regina Inc.

April 12, 2018



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

We have audited the accompanying financial statements of Habitat for Humanity Regina Inc., which comprise the statement of financial position as at December 31, 2017, the statements of operations, 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 Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, Habitat for Humanity Regina Inc. derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Habitat for Humanity Regina Inc. Therefore, we were not able to determine whether, as at and for the years ended December 31, 2017 and December 31, 2016, any adjustments might be necessary to other donations and fundraising revenues reported in the statements of operations, excess of revenue over expenses reported in the statements of cash flows and current assets and unrestricted net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2016.



*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Habitat for Humanity Regina Inc.as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**KPMG LLP**

Chartered Professional Accountants

April 12, 2018  
Regina, Canada

**HABITAT FOR HUMANITY REGINA INC.**  
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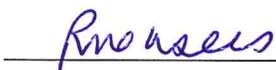
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**HABITAT FOR HUMANITY REGINA INC.**  
**Statement of Financial Position**  
**December 31, 2017 with comparative information for 2016**

	2017	2016
<b>ASSETS</b>		
Current assets		
Cash	\$ 224,426	\$ 159,745
Accounts receivable (Note 13, 16)	98,436	262,129
Prepaid expenses	29,882	44,082
Mortgages receivable, current portion (Note 3)	212,529	218,929
Homes held for sale (Note 5)	2,789,416	716,665
Construction in progress (Note 5)	2,029,144	1,743,237
Land for future builds (Note 5)	739,475	1,018,393
	6,123,308	4,163,180
Mortgages receivable (Note 3)	9,555,081	9,488,700
Capital assets (Note 6)	1,755,783	1,796,143
	11,310,864	11,284,843
	\$ 17,434,172	\$ 15,448,023
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Bank overdraft (Note 8)	\$ 1,181,856	\$ 270,740
Accounts payable and accrued liabilities (Note 16)	269,492	242,865
Tenancy deposits	-	59,140
Deferred contributions	-	21,295
Deferred capital contributions, current portion (Note 7)	83,433	83,433
Debt, current portion (Note 8)	114,764	203,475
Capital lease obligation, current portion (Note 9)	35,582	30,844
	1,685,127	911,792
Deferred capital contributions (Note 7)	1,418,362	1,501,795
Debt (Note 8)	1,709,217	1,803,252
Capital lease obligation (Note 9)	98,853	53,516
	3,226,432	3,358,563
<b>NET ASSETS</b>		
Invested in capital assets	119,553	126,555
Invested in programs	12,403,060	11,051,113
	12,522,613	11,177,668
	\$ 17,434,172	\$ 15,448,023

See accompanying notes to the financial statements.

  
 Chair, Board of Directors

  
 Chair, Audit and Risk Committee

**HABITAT FOR HUMANITY REGINA INC.**  
**Statement of Operations**  
**Year ended December 31, 2017 with comparative information for 2016**

	2017	2016
<b>REVENUE</b>		
Government grants	\$ 645,529	\$ 853,988
In kind donations	366,416	243,045
Other donations and fundraising	907,176	821,083
Other income	5,424	9,696
	<u>1,924,545</u>	<u>1,927,812</u>
<b>SALES AND COST OF SALES</b>		
Home sales	958,671	4,158,609
Mortgage discount income <i>(Note 3)</i>	613,826	282,196
Cost of home sales and building operations <i>(Note 3)</i>	(1,065,610)	(3,442,452)
Mortgage discount expense <i>(Note 3)</i>	(208,755)	(1,091,710)
	<u>298,132</u>	<u>(93,357)</u>
<b>PROGRAM EXPENSES</b> <i>Schedule 3</i>	<u>(225,842)</u>	<u>(220,144)</u>
<b>NET PROGRAM ACTIVITY</b>	1,996,835	1,614,311
<b>RESTORE OPERATIONS</b> <i>Schedule 2</i>		
Revenue	972,856	930,122
Expenses	(757,500)	(713,410)
	<u>215,356</u>	<u>216,712</u>
<b>GENERAL AND ADMINISTRATIVE</b> <i>Schedule 4</i>	<u>(867,246)</u>	<u>(795,923)</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 1,344,945</u>	<u>\$ 1,035,100</u>

See accompanying notes to the financial statements.

**HABITAT FOR HUMANITY REGINA INC.**  
**Statement of Changes in Net Assets**  
**Year ended December 31, 2017 with comparative information for 2016**

	Invested in Programs	Invested in Capital Assets	2017	2016
Balance, beginning of year	\$ 11,051,113	\$ 126,555	\$ 11,177,668	\$ 10,142,568
Excess of revenue over expenses	1,261,512	83,433	1,344,945	1,035,100
Investment in capital assets	(55,525)	55,525	-	-
Amortization of capital assets	145,960	(145,960)	-	-
Balance, end of year	<u>\$ 12,403,060</u>	<u>\$ 119,553</u>	<u>\$ 12,522,613</u>	<u>11,177,668</u>

See accompanying notes to the financial statements.

**HABITAT FOR HUMANITY REGINA INC.****Statement of Cash Flows****Year ended December 31, 2017 with comparative information for 2016**

	2017	2016
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATIONS:</b>		
Excess of revenue over expenses	\$ 1,344,945	\$ 1,035,100
Non-cash items:		
Amortization of capital assets	145,960	135,282
Amortization of deferred capital contributions	(83,433)	(83,433)
	<u>1,407,472</u>	<u>1,086,949</u>
Changes in non-cash working capital:		
Accounts receivable	163,693	(168,604)
Prepaid expenses	14,200	2,034
Homes held for sale	(2,072,751)	(3,077)
Construction in progress	(285,907)	630,706
Land for future builds	278,918	181,185
Accounts payable and accrued liabilities	26,627	(8,537)
Tenancy deposits	(59,140)	44,280
Deferred contributions	(21,295)	21,295
	<u>(1,955,655)</u>	<u>699,282</u>
	(548,183)	1,786,231
<b>INVESTMENTS:</b>		
Advances of mortgages receivable	(59,981)	(2,601,920)
Purchase of capital assets	(105,600)	(122,804)
	<u>(165,581)</u>	<u>(2,724,724)</u>
<b>FINANCING:</b>		
Proceeds of bank overdraft	911,116	270,740
Proceeds from debt	-	129,129
Proceeds from capital lease obligations	87,455	81,500
Repayments of debt principal	(182,746)	(101,953)
Repayments of capital lease obligations	(37,380)	(26,480)
	<u>778,445</u>	<u>352,936</u>
Increase (decrease) in cash	64,681	(585,557)
Cash, beginning of year	159,745	745,302
<b>Cash, end of year</b>	<u>\$ 224,426</u>	<u>\$ 159,745</u>

See accompanying notes to the financial statements.

# HABITAT FOR HUMANITY REGINA INC.

## Notes to Financial Statements

Year ended December 31, 2017

### 1. PURPOSE OF THE ORGANIZATION

Habitat for Humanity Regina Inc. (the "Organization") is a housing charity operating in affiliation with Habitat for Humanity Canada and Habitat for Humanity International. The Organization's vision is to see a world where everyone has a safe and decent place to live.

The Organization operates throughout southern Saskatchewan with a mission to mobilize volunteers and community partners in building affordable housing and promoting home ownership through interest free mortgages as a means to breaking the cycle of poverty. In order to support administrative and fundraising efforts, the Organization also sells donated goods and materials at stores called ReStore.

The Organization is incorporated under the *Non-Profit Corporation Act* of the Province of Saskatchewan and is a registered charity with the Canada Revenue Agency and is not subject to income taxes.

The Organization's homeownership program is established as follows:

- a) A family who meets the eligibility criteria is granted an interest free mortgage on newly constructed homes, making them a Partner Family;
- b) For repurchased homes, a Partner Family is considered a tenant until they complete the requirements to become a home owner. During this phase, monthly tenancy deposits are paid to the Organization. Tenancy deposits become Partner Family home equity when all requirements for home ownership are fulfilled and a mortgage is established;
- c) A Partner Family's monthly payments to the Organization include amounts for property taxes which are remitted annually through MCAP, a third party billing and collection agency;
- d) If a Partner Family leaves the program, the Organization holds an option to purchase the home sold to the Partner Family at any time after the date of the mortgage, but before the first day of the 19<sup>th</sup> year following registration of the title to the land in the name of the owner (the Option). If the Option is exercised at any time during the first six (6) years immediately following registration of title to the land in the name of the Partner Family, then the purchase price shall be an amount equal to all mortgage payments made by the Partner Family under the mortgage, without interest. If the Option is exercised during the seventh (7<sup>th</sup>) through eighteenth (18<sup>th</sup>) years following registration of title to the land in the name of the Partner Family, then the purchase price shall be an amount equal to all mortgage payments made by the Partner Family under the mortgage, without interest plus an amount equal to 1/12 per complete year from the seventh (7<sup>th</sup>) year to the eighteenth (18<sup>th</sup>) year of the difference between the fair market value of the land and the original amount of the mortgage.
- e) The cumulative payments made by a Partner Family either in tenancy or in mortgage are considered to be part of the Fund for Humanity. These funds, less any amounts used to repay Partner Family equity on repurchased homes are reinvested in the program to build or renovate homes.
- f) The Organization incurs various Program Costs, which are expensed as incurred, as part of both its programs to support the homeownership mission as follows:
  - i. Volunteers are mobilized in all facets of the organization including the building of homes, the operation of the ReStores, the Partner Family selection process and other ancillary tasks such as administration;

# HABITAT FOR HUMANITY REGINA INC.

## Notes to Financial Statements

Year ended December 31, 2017

### 1. PURPOSE OF THE ORGANIZATION (continued)

- ii. In rural communities, committees are formed to facilitate the family selection process, the day-to-day build activities and local fundraising;
- iii. As the primary mission to serve families, the Organization 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) and collection of payments to the Fund for Humanity;
- iv. A yearly voluntary payment is allocated through Habitat for Humanity Canada (HfHC) as a tithe to build homes elsewhere in the world.
- v. The use of debt to help fund the construction of new homes is one of the four funding sources (which also include government funding, business/individual donations and the Fund for Humanity).

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Presentation

The financial statements were 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

The one condominium corporation controlled by the Organization is not consolidated into these statements.

#### c) Cash

Cash consists of cash on hand and short-term investments in a high yield account with the RBC Bank.

#### d) Mortgages Receivable

First and second mortgages (second mortgages exist on 2 homes sold in 2005) are held by the Organization and are interest free to Partner Families.

First mortgages are originally recognized at fair value based on the Organization's borrowing rate in the year of inception. In subsequent years, first mortgages receivable are recognized at amortized cost by means of the recognition of a deemed interest income, calculated using a declining balance method over the life of the mortgage.

Second mortgages include terms for forgiveness, which are contingent upon the occurrence of certain future events, including the length of occupancy by the Partner Family. Due to the uncertainty of collection, second mortgages are originally 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.

# HABITAT FOR HUMANITY REGINA INC.

## Notes to Financial Statements

Year ended December 31, 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) less any available new home GST rebate. Any excess costs over net realizable value is 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	25 years
Construction vehicles and equipment	5 years
Warehouse equipment	5-8 years
Office equipment	3-5 years
Assets under capital lease	5 years

i) 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 first mortgage is granted by the Organization.

j) Net Assets Invested in Programs

In accordance with the Organization's mission, all net assets not invested in capital assets are invested in program delivery.

k) Revenue Recognition

The Organization 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 expenses are incurred. 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.

# HABITAT FOR HUMANITY REGINA INC.

## Notes to Financial Statements

Year ended December 31, 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of the first mortgage which transfers substantially all the rights and responsibilities of ownership to partner families.

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

#### 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 Organization; the fair value of this contributed time is not quantifiable and thus is not reflected in these financial statements.

#### m) 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 impairment is identified, the Organization 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 Organization 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.

#### n) 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 REGINA INC.**  
**Notes to Financial Statements**  
**Year ended December 31, 2017**

**3. MORTGAGES RECEIVABLE**

	2017	2016
Gross mortgages receivable	\$ 14,808,801	\$ 15,153,889
Unamortized mortgage discount	(5,041,191)	(5,446,260)
Present value of mortgages receivable	9,767,610	9,707,629
Less: Current portion	(212,529)	(218,929)
Long-term portion	\$ 9,555,081	\$ 9,488,700

During 2017, 4 (2016 - 16) homes were sold to Partner Families of which \$722,769 (2016 - \$2,796,165) is the associated cost of homes sold. Included in Cost of Sales is \$273,146 (2016 - \$301,896) of costs associated with homes sold in prior years.

At December 31, 2017, 76 (2016 -75) first mortgages remain outstanding.

A mortgage discount expense of \$208,755 (2016 - \$1,091,710) was recognized on new mortgages during the year. Deemed interest income during the year is \$613,826 (2016 - \$282,196).

**4. SECOND MORTGAGES**

Two second mortgages signed relate to properties sold by the Organization in 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 20 years a predetermined discounted repayment is required; and after 20 years the mortgage is fully forgiven.

At December 31, 2017, these mortgages totaled \$33,500 (2016 - \$33,500). These balances are reflected at a fair value of \$0 (2016 - \$0).

**5. HOME ASSET INVENTORY**

	2017	2016
Homes held for sale <i>Schedule 1</i>	14 units	4 units
Construction in progress	13 units	10 units
Land for future builds	30 units	42 units

**HABITAT FOR HUMANITY REGINA INC.**  
**Notes to Financial Statements**  
**Year ended December 31, 2017**

**6. CAPITAL ASSETS**

	Cost	Accumulated Amortization	Net Book Value	
			2017	2016
Building	\$ 2,156,880	\$ 602,921	\$ 1,553,959	\$ 1,639,038
Assets under capital lease	178,955	36,883	142,072	100,768
Office equipment	93,426	62,725	30,701	28,678
Warehouse equipment	110,652	97,943	12,709	16,559
Construction vehicles and equipment	105,518	89,176	16,342	11,100
	<u>\$ 2,645,431</u>	<u>\$ 889,648</u>	<u>\$ 1,755,783</u>	<u>\$ 1,796,143</u>

Total amortization recognized during the year is \$145,960 (2016 - \$135,282).

**7. DEFERRED CAPITAL CONTRIBUTIONS**

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 1,585,228	\$ 1,668,661
Recognized as other revenue	<u>(83,433)</u>	<u>(83,433)</u>
Balance, end of year	1,501,795	1,585,228
Less: Current portion	<u>(83,433)</u>	<u>(83,433)</u>
Long-term portion	<u>\$ 1,418,362</u>	<u>\$ 1,501,795</u>

**HABITAT FOR HUMANITY REGINA INC.**  
**Notes to Financial Statements**  
**Year ended December 31, 2017**

**8. BANK OVERDRAFT AND DEBT**

The long term debt consists of the following:

	<u>2017</u>	<u>2016</u>
Canadian Western Bank demand overdraft, authorized \$1,800,000, interest at prime plus 0.75% per annum paid monthly, secured by demand promissory notes and assignment of specific Partner Family mortgages;	1,181,856	270,740
Non revolving fixed term loan with Royal Bank, authorized \$1,287,996, interest at 3.15 % per annum, due in August 2020, secured by a first fixed charge over 1740 Broder Street, Regina, Saskatchewan and a general security agreement covering all property;	1,213,329	1,269,329
Non revolving fixed term loan, authorized \$483,000, interest at Royal Bank prime plus 0.75% per annum paid monthly, secured by a first fixed charge over 1740 Broder Street, Regina, Saskatchewan and a general security agreement covering all property;	462,701	477,461
Saskatchewan Housing Corporation advance, non-interest bearing, repayable in 2017;	-	111,570
RICFF advance, non-interest bearing, repayable at \$2,468 per year;	105,918	105,918
City of Yorkton advance, non-interest bearing, repayable over 5 years at \$20,000 per annum;	60,000	60,000
	<u>3,023,804</u>	<u>2,295,018</u>
Unamortized RICFF loan discount	(17,967)	(17,551)
	<u>\$ 3,005,837</u>	<u>\$ 2,277,467</u>
Bank overdraft	\$ 1,181,856	\$ 270,740
Current portion of debt	114,764	203,475
Long-term portion of debt	<u>1,709,217</u>	<u>1,803,252</u>
	<u>\$ 3,005,837</u>	<u>\$ 2,277,467</u>

# HABITAT FOR HUMANITY REGINA INC.

## Notes to Financial Statements

Year ended December 31, 2017

### 8. BANK OVERDRAFT AND DEBT (continued)

The funds available under the Canadian Western Bank and Royal Bank revolving credit facility are reduced by any outstanding letters of credit issued pursuant to this facility agreement. At December 31, 2017, the Organization had outstanding letters of credit with the Canadian Western Bank, totaling \$430,380 (2016 - \$375,380) and with the Royal Bank of Canada, totaling \$0 (2016 - \$18,963).

As at December 31, 2017, the Organization is in compliance with the terms and covenants in relation to its debt.

Scheduled principal payments required for the next five years on fixed term loan are due as follows:

2018	\$	114,764
2019		92,785
2020		1,534,279
2021		1,199
2022		1,246
Thereafter		79,708
	\$	<u>1,823,981</u>

Subsequent to December 31, 2017, the Organization received confirmation that the outstanding balance of \$60,000 for the City of Yorkton advance would be reduced by \$25,388, to \$34,612 which is to be paid in 2018.

### 9. CAPITAL LEASE OBLIGATIONS

Amounts outstanding on third-party capital leases are as follows:

	<u>2017</u>	<u>2016</u>
Capital lease, authorized \$29,340, non-interest bearing, maturing in December 2017, secured by the equipment;	\$ -	\$ 14,780
Capital lease, authorized \$81,500, 1.22% interest, maturing in March 2021, secured by the vehicle;	53,516	69,580
Capital lease, authorized \$81,500, 1.50% interest, maturing in September 2022, secured by the vehicle;	76,344	-
Capital lease, authorized \$5,955, 3.70% interest, maturing in January 2020, secured by the photocopier;	4,575	-
	<u>\$ 134,435</u>	<u>\$ 84,360</u>
Current portion of capital lease obligations	\$ 35,582	\$ 30,844
Long-term portion of capital lease obligations	98,853	53,516
	<u>\$ 134,435</u>	<u>\$ 84,360</u>

**HABITAT FOR HUMANITY REGINA INC.**  
**Notes to Financial Statements**  
**Year ended December 31, 2017**

**9. CAPITAL LEASE OBLIGATIONS (con't)**

Scheduled principal payments required for the next five years on the capital lease obligations are due as follows:

	2018	\$	35,582
	2019		35,582
	2020		34,007
	2021		20,805
	2022		11,871
Total minimum lease payments			<u>137,847</u>
Amount representing interest			<u>(3,412)</u>
Balance of the obligation		\$	<u><u>134,435</u></u>

**10. RIGHT OF FIRST REFUSAL**

During 2017, 3 homes (2016 - 0) were repurchased from Partner Families. The home equity repayment from 2017 was \$68,872 (2016 - \$0).

**11. HABITAT FOR HUMANITY CANADA FEES**

The Organization remits payments for national programs and initiatives based on the number of builds, ReStore sales and nationally administrated gifts in kind. Fees incurred during the year consist of the following:

	<u>2017</u>	<u>2016</u>
ReStore fees	\$ 46,863	\$ 59,963
Annual fee	37,500	37,500
Build gift in kind fees	25,505	45,973
Tithe fees	<u>11,000</u>	<u>18,000</u>
	<u>\$ 120,868</u>	<u>\$ 161,436</u>

Construction related gift in kind fees are included in the cost of the builds and thus are not reflected in the Statement of Operations.

**12. CONTROLLED ENTITIES**

The revenue and expenses of the condominium corporation controlled by the Organization are collected and paid respectively by the Organization and reimbursed by the condominium corporation. If the condominium corporation does not have sufficient cash to reimburse the Organization, the balance remains until sufficient funds exist.

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

# HABITAT FOR HUMANITY REGINA INC.

## Notes to Financial Statements

Year ended December 31, 2017

### 12. CONTROLLED ENTITIES (con't)

At December 31, 2017, the Organization's accounts receivables include \$7,426 due from the condominium corporation (2016 - payables of \$0).

The financial summary of this unconsolidated entity as at December 31, 2017 and 2016 and for the years then ended is as follows:

	<u>2017</u>	<u>2016</u>
<b>Financial Position</b>		
Total assets	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	12,712	-
Total net assets	<u>( 12,712)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>
<b>Results from Operations</b>		
Total revenue	\$ 27,150	\$ -
Total expenses	<u>(39,862)</u>	<u>-</u>
Excess of revenue over expenses	<u>\$ (12,712)</u>	<u>\$ -</u>
<b>Cash Flows</b>		
Cash from operations	\$ -	\$ -
Cash used in financing and investing activities	<u>-</u>	<u>-</u>
(Decrease) Increase in cash	<u>\$ -</u>	<u>\$ -</u>

### 13. FUND FOR HUMANITY

The Fund for Humanity represents funds collected from Partner Families through mortgage payments and tenancy prepayments. These funds are reinvested in building or acquiring additional homes. The following amounts were paid into the Fund for Humanity during the year:

	<u>2017</u>	<u>2016</u>
Mortgage and tenancy payments received	<u>\$ 461,381</u>	<u>\$ 414,760</u>

## **HABITAT FOR HUMANITY REGINA INC.**

### **Notes to Financial Statements**

**Year ended December 31, 2017**

#### **14. FINANCIAL RISK**

The Organization is not exposed to significant market, currency or other price risk through its financial instruments.

##### Credit Risk

The Organization 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 minimal 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 Organization 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.

##### Liquidity Risk

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

##### Interest Rate Risk

The Organization is exposed to fluctuations in interest rates as the banking facilities bear interest at variable rates. The mortgages receivable do not bear interest rate risk given that they are non-interest bearing.

#### **15. GOVERNMENT REMITTANCES**

Included in accounts receivable at year-end are government remittance receivable of \$23,827 (2016 – payable of \$66,527).

#### **16. COMPARATIVE INFORMATION**

Certain comparative information has been reclassified to conform to the current year's presentation.

**HABITAT FOR HUMANITY REGINA INC.**  
**Schedules of Homes Held for Sale and**  
**Schedule of ReStore Operations**  
**Year ended December 31, 2017**

**SCHEDULE 1: Homes Held for Sale**

		2017	2016
Regina	13 Homes (2016 – 1)	\$ 2,518,416	\$ 217,000
Estevan	1 Home (2016 – 0)	271,000	-
Moose Jaw	0 Homes (2016 – 1)	-	196,255
Fort Qu'Appelle	0 Homes (2016 – 2)	-	303,440
		<u>\$ 2,789,416</u>	<u>\$ 716,665</u>

**SCHEDULE 2: ReStore Operations**

		2017	2016
<b>REVENUE</b>			
Sales		<u>\$ 972,856</u>	<u>\$ 930,122</u>
<b>EXPENSES</b>			
Salaries and benefits		380,807	405,749
Facilities		82,997	87,845
Advertising and promotion		70,578	47,784
Warehouse and other costs of goods sold		57,582	17,925
Habitat for Humanity Canada fees		46,863	59,963
Amortization		34,506	25,259
Vehicle		31,413	27,600
Office		30,668	24,955
Other		22,086	16,330
		<u>757,500</u>	<u>713,410</u>
<b>RESTORE CONTRIBUTION</b>		<u>\$ 215,356</u>	<u>\$ 216,712</u>
<b>GROSS MARGIN</b>		<u>22%</u>	<u>23%</u>

**HABITAT FOR HUMANITY REGINA INC.**  
**Schedules of Program Expenses and**  
**Schedule of General and Administrative Expenses**  
**Year ended December 31, 2017**

**SCHEDULE 3: Program Expenses**

	<u>2017</u>	<u>2016</u>
<b>PROGRAM EXPENSES</b>		
Salaries and benefits	\$ 115,024	\$ 106,314
Interest expense	67,947	78,263
Other	31,871	17,567
Habitat for Humanity Canada tithe	11,000	18,000
	<u>                    </u>	<u>                    </u>
<b>TOTAL PROGRAM EXPENSE</b>	<u>\$ 225,842</u>	<u>\$ 220,144</u>

**SCHEDULE 4: General and Administrative Expenses**

	<u>2017</u>	<u>2016</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries and benefits	\$ 409,131	\$ 362,931
Amortization	97,723	99,256
Professional fees	90,437	96,360
Office	82,735	74,218
Advertising and promotion	69,047	47,041
Facilities	39,049	46,977
Habitat for Humanity Canada fees	37,500	37,500
Other	33,492	19,145
Travel	8,132	12,495
	<u>                    </u>	<u>                    </u>
	<u>\$ 867,246</u>	<u>\$ 795,923</u>

Total 2017 costs of fundraising \$194,470 (2016 - \$234,468) are included in the General and Administrative Expenses which equates to 10% (2016 – 12%) of government grants, in kind donations, other donations and fundraising, and other income.