

HABITAT FOR HUMANITY REGINA INC.
Financial Statements
For the Year Ended December 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements for the year ended December 31, 2018 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.



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

April 9, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Habitat for Humanity Regina Inc.

Qualified Opinion

We have audited the financial statements of Habitat for Humanity Regina Inc., (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- 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 flows for the year then ended
- and notes to the financial statements, comprising a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "*Basis for Qualified Opinion*" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity 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 the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2018 and December 31, 2017
- the donation and fundraising revenues and excess of revenues over expenses reported in the statements of operations for the years ended December 31, 2018 and December 31, 2017
- the net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2018 and December 31, 2017
- the excess of revenues over expenses reported in the statements of cash flows for the years ended December 31, 2018 and December 31, 2017.

Our opinion on the financial statements for the year ended December 31, 2017 was qualified accordingly because of the possible effects of this limitation in scope.

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 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 qualified opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Annual Report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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 represent 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

Regina, Canada
April 9, 2019

HABITAT FOR HUMANITY REGINA INC.
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HABITAT FOR HUMANITY REGINA INC.
Statement of Financial Position
December 31, 2018 with comparative information for 2017

	2018	2017
ASSETS		
Current assets		
Cash	\$ 82,713	\$ 224,426
Accounts receivable	168,720	98,436
Prepaid expenses	35,020	29,882
Mortgages receivable, current portion (Note 3)	534,490	212,529
Homes held for sale (Note 5, Schedule 1)	1,830,092	2,789,416
Construction in progress (Note 5)	1,610,826	2,029,144
Land for future builds (Note 5)	739,542	739,475
	<u>5,001,403</u>	<u>6,123,308</u>
Mortgages receivable (Note 3)	11,991,036	9,555,081
Capital assets (Note 6)	<u>1,616,138</u>	<u>1,755,783</u>
	13,607,174	11,310,864
	<u>\$ 18,608,577</u>	<u>\$ 17,434,172</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Bank overdraft (Note 8)	\$ 1,593,808	\$ 1,181,856
Accounts payable and accrued liabilities	240,735	269,492
Tenancy deposits	31,780	-
Deferred capital contributions, current portion (Note 7)	83,433	83,433
Debt, current portion (Note 8)	99,792	114,764
Capital lease obligations, current portion (Note 9)	35,582	35,582
	<u>2,085,130</u>	<u>1,685,127</u>
Deferred capital contributions (Note 7)	1,334,929	1,418,362
Debt (Note 8)	2,279,480	1,709,217
Capital lease obligations (Note 9)	64,982	98,853
	<u>3,679,391</u>	<u>3,226,432</u>
NET ASSETS		
Invested in capital assets	97,212	119,553
Invested in programs	12,746,844	12,403,060
	<u>12,844,056</u>	<u>12,522,613</u>
	<u>\$ 18,608,577</u>	<u>\$ 17,434,172</u>

See accompanying notes to the financial statements.


 Chair
 Board of Directors


 Chair
 Audit and Finance
 Committee

HABITAT FOR HUMANITY REGINA INC.
Statement of Operations
Year ended December 31, 2018 with comparative information for 2017

	2018	2017
REVENUE		
Government grants	\$ 920,091	\$ 645,529
In kind donations	219,046	366,416
Other donations and fundraising	546,907	907,176
Other income	22,883	5,424
	1,708,927	1,924,545
 SALES AND COST OF SALES		
Home sales	4,931,512	958,671
Mortgage discount income <i>(Note 3)</i>	635,941	613,826
Cost of home sales and building operations <i>(Note 3)</i>	(4,179,001)	(1,065,610)
Mortgage discount expense <i>(Note 3)</i>	(1,497,226)	(208,755)
	(108,774)	298,132
 PROGRAM EXPENSES <i>Schedule 2</i>	(366,793)	(225,842)
 NET PROGRAM ACTIVITY	1,233,360	1,996,835
 RESTORE OPERATIONS <i>Schedule 3</i>		
Revenue	1,007,958	972,856
Expenses	(857,476)	(757,500)
	150,482	215,356
 GENERAL AND ADMINISTRATIVE <i>Schedule 4</i>	(1,062,399)	(867,246)
 EXCESS OF REVENUE OVER EXPENSES	\$ 321,443	\$ 1,344,945

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY REGINA INC.
Statement of Changes in Net Assets
Year ended December 31, 2018 with comparative information for 2017

	Invested in Programs	Invested in Capital Assets	2018	2017
Balance, beginning of year	\$ 12,403,060	\$ 119,553	\$12,522,613	\$ 11,177,668
Excess of revenue over expenses	321,443	-	321,443	1,344,945
- Amortization of capital assets	151,321	(151,321)	-	-
- Amortization of deferred capital contributions	(83,433)	83,433	-	-
Investment in capital assets				
- Capital asset additions	(11,676)	11,676	-	-
- Capital lease obligations	(33,871)	33,871	-	-
Balance, end of year	<u>\$ 12,746,844</u>	<u>\$ 97,212</u>	<u>\$12,844,056</u>	<u>\$ 12,522,613</u>

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY REGINA INC.**Statement of Cash Flows****Year ended December 31, 2018 with comparative information for 2017**

	2018	2017
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Excess of revenue over expenses	\$ 321,443	\$ 1,344,945
Non-cash items:		
Amortization of capital assets	151,321	145,960
Amortization of deferred capital contributions	(83,433)	(83,433)
	<u>389,331</u>	<u>1,407,472</u>
Changes in non-cash working capital:		
Accounts receivable	(70,284)	163,693
Prepaid expenses	(5,138)	14,200
Homes held for sale	959,324	(2,072,751)
Construction in progress	418,318	(285,907)
Land for future builds	(67)	278,918
Accounts payable and accrued liabilities	(28,757)	26,627
Tenancy deposits	31,780	(59,140)
Deferred contributions	-	(21,295)
	<u>1,305,176</u>	<u>(1,955,655)</u>
	1,694,507	(548,183)
INVESTMENTS:		
Advances of mortgages receivable	(2,757,916)	(59,981)
Purchase of capital assets	(11,676)	(105,600)
	<u>(2,769,592)</u>	<u>(165,581)</u>
FINANCING:		
Proceeds of bank overdraft	411,952	911,116
Proceeds from debt	700,000	-
Proceeds from capital lease obligations	-	87,455
Repayments of debt principal	(144,709)	(182,746)
Repayments of capital lease obligations	(33,871)	(37,380)
	<u>933,372</u>	<u>778,445</u>
Increase (decrease) in cash	(141,713)	64,681
Cash, beginning of year	224,426	159,745
Cash, end of year	<u>\$ 82,713</u>	<u>\$ 224,426</u>

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY REGINA INC.

Notes to Financial Statements

Year ended December 31, 2018

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 19th 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 (7th) through eighteenth (18th) 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 (7th) year to the eighteenth (18th) 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, 2018

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, 2018

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, 2018

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, 2018

3. MORTGAGES RECEIVABLE

	2018	2017
Gross mortgages receivable	\$ 18,437,141	\$ 14,808,801
Unamortized mortgage discount	(5,911,615)	(5,041,191)
Present value of mortgages receivable	12,525,526	9,767,610
Less: Current portion	(534,490)	(212,529)
Long-term portion	\$ 11,991,036	\$ 9,555,081

During 2018, 22 (2017 - 4) homes were sold to Partner Families of which \$4,062,903 (2017 - \$722,769) is the associated cost of homes sold. Included in Cost of Sales is \$77,469 (2017 - \$273,146) of costs associated with homes sold in prior years.

At December 31, 2018, 93 (2017 - 76) first mortgages remain outstanding.

A mortgage discount expense of \$1,497,226 (2017 - \$208,755) was recognized on new mortgages during the year. Deemed interest income during the year is \$635,941 (2017 - \$613,826).

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, 2018, these mortgages totaled \$33,500 (2017 - \$33,500). These balances are reflected at a fair value of \$0 (2017 - \$0).

5. HOME ASSET INVENTORY

	2018	2017
Homes held for sale (<i>Schedule 1</i>)	8 units	14 units
Construction in progress	13 units	13 units
Land for future builds	18 units	30 units

HABITAT FOR HUMANITY REGINA INC.

Notes to Financial Statements

Year ended December 31, 2018

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2018	2017
Building	\$ 2,156,880	\$ 689,196	\$ 1,467,684	\$ 1,553,959
Assets under capital lease	178,955	72,674	106,281	142,072
Office equipment	105,103	75,974	29,129	30,701
Warehouse equipment	110,652	109,910	742	12,709
Construction vehicles and equipment	105,518	93,216	12,302	16,342
	<u>\$ 2,657,108</u>	<u>\$ 1,040,970</u>	<u>\$ 1,616,138</u>	<u>\$ 1,755,783</u>

Total amortization recognized during the year is \$151,321 (2017 - \$145,960).

7. DEFERRED CAPITAL CONTRIBUTIONS

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

	2018	2017
Balance, beginning of year	\$ 1,501,795	\$ 1,585,228
Recognized as other revenue	<u>(83,433)</u>	<u>(83,433)</u>
Balance, end of year	1,418,362	1,501,795
Less: Current portion	<u>(83,433)</u>	<u>(83,433)</u>
Long-term portion	<u>\$ 1,334,929</u>	<u>\$ 1,418,362</u>

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2018

8. BANK OVERDRAFT AND DEBT

The long term debt consists of the following:

	2018	2017
Canadian Western Bank demand overdraft, authorized \$2,300,000, interest at prime plus 0.75% per annum paid monthly, secured by demand promissory notes and assignment of specific Partner Family mortgages	\$1,593,808	\$1,181,856
Non revolving fixed term loan with Royal Bank, bearing interest at 3.15 % per annum paid in monthly payments of \$4,667 plus interest, due in September 2020, secured by a first fixed charge over 1740 Broder Street, Regina, Saskatchewan and a general security agreement covering all property;	1,157,330	1,213,329
Non revolving fixed term loan with Royal Bank, bearing interest at 3.15% per annum paid in monthly combined interest and principal payments of \$2,462, due August 17, 2020, secured by a first fixed charge over 1740 Broder Street, Regina, Saskatchewan and a general security agreement covering all property	447,472	462,701
Canadian Western Bank term loan bearing interest at prime plus 0.75% per annum paid in monthly combined interest and principal payments of \$1,848, due February 1, 2023, secured by demand promissory notes and assignment of specific Partner Family mortgages	291,927	-
Canadian Western Bank term loan bearing interest at prime plus 0.75% per annum paid in monthly combined interest and principal payments of \$942, due May 1, 2023, secured by demand promissory notes and assignment of specific Partner Family mortgages	148,073	-
Canadian Western Bank term loan bearing interest at prime plus 0.75% per annum paid in monthly combined interest and principal payments of \$786, due August 1, 2023, secured by demand promissory notes and assignment of specific Partner Family mortgages	123,706	-
Canadian Western Bank term loan bearing interest at prime plus 0.75% per annum paid in monthly combined interest and principal payments of \$771, due May 1, 2023, secured by demand promissory notes and assignment of specific Partner Family mortgages	122,813	-

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2018

8. BANK OVERDRAFT AND DEBT (continued)

	<u>2018</u>	<u>2017</u>
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
	<u>3,991,047</u>	<u>3,023,804</u>
Unamortized RICFF loan discount	(17,967)	(17,967)
	<u>\$ 3,973,080</u>	<u>\$ 3,005,837</u>
Bank overdraft	\$ 1,593,808	\$ 1,181,856
Current portion of debt	99,792	114,764
Long-term portion of debt	<u>2,279,480</u>	<u>1,709,217</u>
	<u>\$ 3,973,080</u>	<u>\$ 3,005,837</u>

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, 2018, the Organization had outstanding letters of credit with the Canadian Western Bank, totaling \$430,380 (2017 - \$430,380) and with the Royal Bank of Canada, totaling \$0 (2017 - \$0).

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

2019	\$ 99,792
2020	1,557,269
2021	25,316
2022	26,459
2023	593,373
Thereafter	<u>77,063</u>
	<u>\$ 2,379,272</u>

The Organization received confirmation that the outstanding balance of \$60,000 for the City of Yorkton advance was forgiven in 2018.

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2018

9. CAPITAL LEASE OBLIGATIONS

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

	<u>2018</u>	<u>2017</u>
Capital lease, authorized \$81,500, 1.22% interest, maturing in March 2021, secured by the vehicle;	\$ 37,255	\$ 53,516
Capital lease, authorized \$81,500, 1.50% interest, maturing in September 2022, secured by the vehicle;	60,719	76,344
Capital lease, authorized \$5,955, 3.70% interest, maturing in January 2020, secured by the photocopier;	2,590	4,575
	<u>\$ 100,564</u>	<u>\$ 134,435</u>
Current portion of capital lease obligations	\$ 35,582	\$ 35,582
Long-term portion of capital lease obligations	64,982	98,853
	<u>\$ 100,564</u>	<u>\$ 134,435</u>

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

2019	\$ 35,582
2020	34,007
2021	20,805
2022	12,495
Total minimum lease payments	<u>102,889</u>
Amount representing interest	<u>(2,325)</u>
Balance of the obligation	<u>\$ 100,564</u>

10. RIGHT OF FIRST REFUSAL

During 2018, 3 homes (2017 - 3) were repurchased from Partner Families. The home equity repayment from 2018 was \$54,412 (2017 - \$68,872).

HABITAT FOR HUMANITY REGINA INC.

Notes to Financial Statements

Year ended December 31, 2018

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>2018</u>	<u>2017</u>
ReStore fees	\$ 57,179	\$ 46,863
Annual fee	53,278	37,500
Build gift in kind fees	11,970	25,505
Tithe fees	<u>11,000</u>	<u>11,000</u>
	<u>\$ 133,427</u>	<u>\$ 120,868</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. 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>2018</u>	<u>2017</u>
Mortgage and tenancy payments received	<u>\$ 588,670</u>	<u>\$ 461,381</u>

13. 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.

At December 31, 2018, the Organization's accounts receivables include \$0 due from the condominium corporation (2017 – receivable of \$7,426).

HABITAT FOR HUMANITY REGINA INC.

Notes to Financial Statements

Year ended December 31, 2018

13. CONTROLLED ENTITIES (continued)

The financial summary of this unconsolidated entity as at December 31, 2018 and 2017 and for the years then ended is as follows:

	2018	2017
Financial Position		
Total assets	\$ -	\$ -
Total liabilities	(1,620)	12,712
Total net assets	1,620	(12,712)
	\$ -	\$ -
Results from Operations		
Total revenue	\$ 42,750	\$ 27,150
Total expenses	(44,370)	(39,862)
Excess of revenue over expenses	\$ (1,620)	\$ (12,712)
Cash Flows		
Cash flows from operating, investing and financing activities	\$ -	\$ -

14. FINANCIAL RISK

The Organization is not exposed to significant market, currency or other price risk through its financial instruments. The following risk profiles have not significantly changed since 2017.

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.

HABITAT FOR HUMANITY REGINA INC.
Schedules of Homes Held for Sale and
Schedule of ReStore Operations
Year ended December 31, 2018

SCHEDULE 1: Homes Held for Sale

		2018	2017
Regina	7 Homes (2017 – 13)	\$ 1,675,704	\$ 2,518,416
Estevan	0 Home (2017 – 1)	-	271,000
Moose Jaw	1 Homes (2017 – 0)	154,388	-
Fort Qu'Appelle	0 Homes (2017 – 0)	-	-
		<u>\$ 1,830,092</u>	<u>\$ 2,789,416</u>

SCHEDULE 2: Program Expenses

		2018	2017
PROGRAM EXPENSES			
Salaries and benefits		\$ 140,363	\$ 115,024
Interest expense		102,347	67,947
Mortgage Write downs		74,879	-
Other		38,205	31,871
Habitat for Humanity Canada tithe		11,000	11,000
TOTAL PROGRAM EXPENSE		<u>\$ 366,793</u>	<u>\$ 225,842</u>

SCHEDULE 3: ReStore Operations

		2018	2017
REVENUE			
Sales		\$ 1,007,958	\$ 972,856
EXPENSES			
Salaries and benefits		428,312	380,807
Facilities		76,975	82,997
Advertising and promotion		56,476	70,578
Warehouse and other costs of goods sold		89,494	57,582
Habitat for Humanity Canada fees		57,179	46,863
Amortization		47,622	34,506
Vehicle		52,928	31,413
Office		26,696	30,668
Other		21,794	22,086
		<u>857,476</u>	<u>757,500</u>
RESTORE CONTRIBUTION		<u>\$ 150,482</u>	<u>\$ 215,356</u>
GROSS MARGIN		<u>15%</u>	<u>22%</u>

HABITAT FOR HUMANITY REGINA INC.
Schedule of General and Administrative Expenses
Year ended December 31, 2018

SCHEDULE 4: General and Administrative Expenses

GENERAL AND ADMINISTRATIVE EXPENSES	2018	2017
Salaries and benefits	\$ 547,536	\$ 409,131
Amortization	100,558	97,723
Professional fees	75,629	90,437
Office	139,071	82,735
Advertising and promotion	69,280	69,047
Facilities	52,412	39,049
Habitat for Humanity Canada fees	53,278	37,500
Other	9,133	33,492
Travel	15,061	8,132
	\$ 1,062,399	\$ 867,246

Total 2018 costs of fundraising \$233,573 (2017 - \$194,470) are included in the General and Administrative Expenses which equates to 10% (2017 – 10%) of government grants, in kind donations, other donations and fundraising, and other income.