

**PRINCE ALBERT HABITAT FOR HUMANITY INC.**  
**Financial Statements**  
**Year Ended December 31, 2018**

**PRINCE ALBERT HABITAT FOR HUMANITY INC.**  
**Index to Financial Statements**  
**Year Ended December 31, 2018**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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The financial statements of Prince Albert Habitat for Humanity Inc. have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

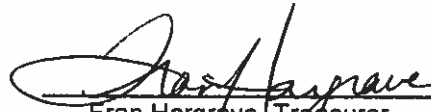
The integrity and reliability of Prince Albert Habitat for Humanity Inc.'s reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Grant Thornton LLP, in accordance with Canadian accounting standards for not-for-profit organizations.



Tami Lutz, President



Fran Hargrave, Treasurer

Prince Albert, SK  
May 24, 2019

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Prince Albert Habitat for Humanity Inc.

### *Qualified Opinion*

We have audited the financial statements of Prince Albert Habitat for Humanity Inc. (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and the results of its 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 charitable organizations, the organization derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenues, excess of revenues over expenses for the year ended December 31, 2018, and current assets and net assets as at December 31, 2018.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Other Matter*

The financial statements of Prince Albert Habitat for Humanity Inc. for the year ended December 31, 2017, were audited by Phillips Leson CPA Prof. Corp. O/A Grayling Business Consulting Chartered Professional Accountants who expressed a modified opinion on those statements on May 28, 2018. The partner and staff of Phillips Leson CPA Prof. Corp. joined Grant Thornton LLP on January 1, 2019.

### *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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the

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Independent Auditor's Report to the Members of Prince Albert Habitat for Humanity Inc. *(continued)*

going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

*Auditor's 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 auditor's 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 these 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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.

We 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.

Prince Albert, Canada  
May 24, 2019

*Grant Thornton LLP*

Chartered Professional Accountants

**PRINCE ALBERT HABITAT FOR HUMANITY INC.**  
**Statement of Financial Position**  
**December 31, 2018**

|  | 2018                | 2017                |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>CURRENT</b>   |                     |                     |
| Inventory  | \$ 5,000            | \$ 6,000            |
| Homes in tenancy agreements (Note 3)                         | 1,627,481           | 802,354             |
| Property under development (Note 4)                          | 199,514             | 306,550             |
| Goods and Services Tax recoverable                           | 7,322               | 21,462              |
| Prepaid expenses   | 3,945               | 1,654               |
| Current portion of mortgage receivable (Note 5)              | 197,427             | 214,954             |
|  | <b>2,040,689</b>    | <b>1,352,974</b>    |
| CAPITAL ASSETS (Note 6)                                      | 131,280             | 167,985             |
| MORTGAGE RECEIVABLE (Note 5)                                 | 2,097,955           | 2,465,495           |
| INVESTMENT IN HABITAT RESTORE (Note 7)                       | 50,000              | 50,000              |
| LAND HELD FOR DEVELOPMENT                                    | 27,283              | 81,823              |
|  | <b>\$ 4,347,207</b> | <b>\$ 4,118,277</b> |
| <b>LIABILITIES AND NET ASSETS</b>                            |                     |                     |
| <b>CURRENT</b>   |                     |                     |
| Bank indebtedness (Note 8)                                   | \$ 45,827           | \$ 25,824           |
| Accounts payable   | 47,219              | 42,899              |
| Wages payable  | 3,842               | 3,004               |
| Deferred revenue (Note 9)                                    | 115,000             | 335,556             |
| Amounts held on behalf of homeowners                         | 80,687              | 33,428              |
| Current portion of long term debt (Note 10)                  | 9,691               | 9,184               |
| Current portion of obligations under capital lease (Note 11) | 5,458               | 4,945               |
|  | <b>307,724</b>      | <b>454,840</b>      |
| LONG TERM DEBT (Note 10)                                     | 26,639              | 36,326              |
| OBLIGATIONS UNDER CAPITAL LEASE (Note 11)                    | 28,693              | 34,151              |
|  | <b>363,056</b>      | <b>525,317</b>      |
| <b>NET ASSETS</b>  |                     |                     |
| General fund   | 146,918             | 272,294             |
| Restricted fund  | 3,837,233           | 3,320,666           |
|  | <b>3,984,151</b>    | <b>3,592,960</b>    |
|  | <b>\$ 4,347,207</b> | <b>\$ 4,118,277</b> |

See notes to financial statements

**PRINCE ALBERT HABITAT FOR HUMANITY INC.**  
**Statement of Revenues and Expenses**  
**Year Ended December 31, 2018**

|   | 2018              | 2017              |
|---|-------------------|-------------------|
| <b>REVENUES</b>   |                   |                   |
| Grants  | \$ 310,852        | \$ 360,026        |
| Donations   | 30,511            | 61,429            |
| Miscellaneous   | 17,370            | 9,935             |
| Fundraising   | 3,176             | 7,385             |
|   | <u>361,909</u>    | <u>438,775</u>    |
| <b>EXPENSES</b>   |                   |                   |
| Professional fees                                       | 19,253            | 8,337             |
| Affiliation expenses                                    | 12,500            | 12,500            |
| Administration  | 12,288            | 23,412            |
| Interest and bank charges                               | 8,431             | 592               |
| Amortization  | 2,661             | 2,952             |
| Insurance   | 1,592             | 3,387             |
| Donations   | 364               | 5,272             |
| Volunteer   | 289               | 4,722             |
| Vehicle   | 256               | 3,416             |
| Fundraising Costs                                       | 213               | 920               |
| Advertising and promotion                               | 42                | 2,320             |
| Repairs and maintenance                                 | -                 | 169               |
|   | <u>57,889</u>     | <u>67,999</u>     |
| <b>EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS</b> | <u>304,020</u>    | <u>370,776</u>    |
| <b>OTHER INCOME</b>                                     |                   |                   |
| Mortgage discount                                       | 175,624           | (333,057)         |
| Gain on mortgage surrendered by homeowner               | 10,841            | -                 |
| Gain on disposal of capital assets                      | 2,221             | -                 |
| Gain on transfer of property to mortgage                | -                 | 357,373           |
| Net Contributions from ReStore (Schedule 1)             | (50,298)          | (71,237)          |
| Impairment of home in tenancy agreement                 | (51,217)          | -                 |
|   | <u>87,171</u>     | <u>(46,921)</u>   |
| <b>EXCESS OF REVENUES OVER EXPENSES</b>                 | <u>\$ 391,191</u> | <u>\$ 323,855</u> |

See notes to financial statements

**PRINCE ALBERT HABITAT FOR HUMANITY INC.**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2018**

|   | General<br>Fund   | Restricted<br>Fund  | 2018                | 2017                |
|---|-------------------|---------------------|---------------------|---------------------|
| <b>NET ASSETS - BEGINNING OF YEAR</b>       | \$ 272,294        | \$ 3,320,666        | \$ 3,592,960        | \$ 3,269,105        |
| <b>EXCESS OF REVENUES OVER<br/>EXPENSES</b> | 391,191           | -                   | 391,191             | 323,855             |
| <b>INTERFUND TRANSFER</b>                   | (516,567)         | 516,567             | -                   | -                   |
| <b>NET ASSETS - END OF YEAR</b>             | <u>\$ 146,918</u> | <u>\$ 3,837,233</u> | <u>\$ 3,984,151</u> | <u>\$ 3,592,960</u> |

The interfund transfer of \$516,567 from the unrestricted fund to the internally restricted fund - housing was to account for the transactions relating to mortgage receivable, property under development, land held for development, and deferred revenue.



**PRINCE ALBERT HABITAT FOR HUMANITY INC.**

**Statement of Cash Flows**

**Year Ended December 31, 2018**

|   | 2018               | 2017               |
|---|--------------------|--------------------|
| <b>OPERATING ACTIVITIES</b>                   |                    |                    |
| Excess of revenues over expenses              | \$ 391,191         | \$ 323,855         |
| Items not affecting cash:                     |                    |                    |
| Amortization of capital assets                | 41,403             | 36,944             |
| Gain on mortgage surrendered by homeowner     | 10,841             | -                  |
| Gain on disposal of capital assets            | (2,221)            | -                  |
| Impairment of home in tenancy agreement       | (51,217)           | -                  |
| Mortgage discount                             | (175,624)          | 333,057            |
|   | <u>214,373</u>     | <u>693,856</u>     |
| Changes in non-cash working capital:          |                    |                    |
| Accounts receivable                           | -                  | 100                |
| Inventory                                     | 1,000              | 3,069              |
| Property under development                    | (246,171)          | 222,296            |
| Goods and Services Tax recoverable            | 14,140             | (9,653)            |
| Prepaid expenses                              | (2,291)            | (1,654)            |
| Land held for development                     | (2,034)            | 44,518             |
| Accounts payable                              | 4,323              | (97,388)           |
| Wages payable                                 | 838                | (268)              |
| Employee deductions payable                   | -                  | (7,671)            |
| Deferred revenue                              | (220,556)          | (100,556)          |
| Amounts held on behalf of homeowners          | 47,259             | (48,457)           |
|   | <u>(403,492)</u>   | <u>4,336</u>       |
| Cash flow from (used by) operating activities | <u>(189,119)</u>   | <u>698,192</u>     |
| <b>INVESTING ACTIVITIES</b>                   |                    |                    |
| Purchase of capital assets                    | (9,275)            | (96,454)           |
| Proceeds on disposal of capital assets        | 6,800              | -                  |
| Mortgages advanced                            | -                  | (1,227,950)        |
| Mortgage payments received                    | 185,716            | 258,506            |
|   | <u>183,241</u>     | <u>(1,065,898)</u> |
| Cash flow from (used by) investing activities | <u>183,241</u>     | <u>(1,065,898)</u> |
| <b>FINANCING ACTIVITIES</b>                   |                    |                    |
| Proceeds from long term financing             | -                  | 49,920             |
| Repayment of long term debt                   | (9,180)            | (4,410)            |
| Proceeds from capital lease obligation        | -                  | 39,825             |
| Repayment of obligations under capital lease  | (4,945)            | (729)              |
|   | <u>(14,125)</u>    | <u>84,606</u>      |
| Cash flow from (used by) financing activities | <u>(14,125)</u>    | <u>84,606</u>      |
| <b>DECREASE IN CASH FLOW</b>                  | <b>(20,003)</b>    | <b>(283,100)</b>   |
| Cash (deficiency) - beginning of year         | <u>(25,824)</u>    | <u>257,276</u>     |
| <b>DEFICIENCY - END OF YEAR</b>               | <b>\$ (45,827)</b> | <b>\$ (25,824)</b> |

See notes to financial statements

# PRINCE ALBERT HABITAT FOR HUMANITY INC.

## Notes to Financial Statements

Year Ended December 31, 2018

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### 1. PURPOSE OF THE ORGANIZATION

Prince Albert Habitat for Humanity Inc. (the "organization") is a not-for-profit organization incorporated provincially under the Non-profit Corporations Act of Saskatchewan. As a registered charity, the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The organization operates within Prince Albert, Melfort, Nipawin, and Duck Lake Saskatchewan to mobilize volunteers and community partners in building affordable housing and promote home ownership as a means to breaking the cycle of poverty. In order to support administrative and fundraising efforts, Habitat also operates the "ReStore" outlet which sells donated and used materials.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. The significant estimates in these financial statements include useful lives of capital assets, collectability of mortgages receivable, net realizable value of homes in tenancy agreements, property under development, and the interest rate used to determine the present value of the mortgage receivable.

#### Inventory

Inventory consists of sheds that are built by a local post secondary institution with materials supplied by the ReStore. Donated recycled materials and obsolete, damaged, or surplus materials from suppliers and manufacturers are recorded as nil. Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis..

#### Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates:

|                               |     |
|-------------------------------|-----|
| Computer equipment            | 40% |
| Motor vehicles                | 30% |
| Tools                         | 20% |
| Leasehold improvements        | 20% |
| 40 foot container             | 20% |
| Steel racking                 | 20% |
| Portable building and fencing | 10% |

The organization regularly reviews its capital assets to eliminate obsolete items.

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PRINCE ALBERT HABITAT FOR HUMANITY INC.

Notes to Financial Statements

Year Ended December 31, 2018

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Bank indebtedness

Bank indebtedness includes balances with banks net of outstanding cheques and deposits.

Homes in tenancy agreements

Homes in tenancy agreements 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 is expensed during the year in which the impairment is identified.

Projects under development

Projects under development, which include land, buildings, and building materials, are recorded at the lower of cost and net realizable value. Net realizable value is defined as the lower of the market value less costs of disposition and the amount of non-forgivable mortgages to be assumed by families. Any excess of carrying value over net realizable is expensed in the year in which the impairment is realized.

Mortgage receivable

Initial mortgages are valued at the property's fair market value determined by an independent realty appraiser at the time the property is transferred to a mortgage. Mortgage receivables are recorded at their discounted value in accordance with the presentation policy recommended by Habitat for Humanity Canada. Discounts are determined by the mortgage rate at the time of sale. Currently, the organization maintains mortgages that have been discounted between the following rates: 3.00% to 7.81%.

Amounts held on behalf of homeowners

Amounts held on behalf of homeowners include property taxes accounts, insurance accounts and mortgage prepayments. Property tax accounts and insurance accounts represent monthly instalments collected from the families. Mortgage prepayments represent payments from families that occupy their homes prior to title transfer. Upon title transfer, these amounts will be credited to the family's first mortgage.

Land held for development

Land held for development 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.

Net assets

Net assets consist of:

- a) Unrestricted fund net assets are funds used to support the organization's program delivery and administration activities.
- b) Internally restricted - housing net assets are funds used to accomplish the organization's mission of building affordable housing and promoting home ownership. Properties under development, land held for development, and mortgage receivable less deferred revenue are presented as internally restricted for housing.

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**PRINCE ALBERT HABITAT FOR HUMANITY INC.**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Prince Albert Habitat for Humanity Inc. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grant revenue from the Saskatchewan Housing Corporation is recognized when properties are completed, and moved into tenancy agreement.

The ReStore sells new and used building materials. ReStore revenue is recognized upon delivery of the goods to the customers.

Revenue from projects is recognized when the organization has transferred the significant risks and rewards of home ownership to a family, in that all significant acts have been completed and the organization retains no continuing managerial involvement in, or effective control of, the home to a degree usually associated with ownership, and reasonable assurance exists regarding the measurement of the consideration. Generally, this occurs upon transfer of property title to the family. The proceeds recognized are determined by reference to fair market value of the homes transferred. The proceeds are satisfied by mortgages issued to the organization.

Fundraising revenue is recognized as revenue when it is received.

Donated services and materials

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. Goods donated to ReStore outlet are not recorded as assets in these financial statements. A substantial number of volunteers make significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in these financial statements.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at amortized cost and tested for impairment at each reporting date. Financial assets measured at amortized cost include Goods and Service Tax recoverable, and mortgage receivable. Financial liabilities measured at amortized cost include bank indebtedness, accounts payable, wages payable, and long term debt.

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**PRINCE ALBERT HABITAT FOR HUMANITY INC.**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

**3. HOMES IN TENANCY AGREEMENTS**

|                       | <u>2018</u>         | <u>2017</u>       |
|-----------------------|---------------------|-------------------|
| <u>Prince Albert</u>  |                     |                   |
| 452 19th Street East  | \$ 225,000          | \$ 275,459        |
| 734 17th Street West  | 166,920             | 160,992           |
| 726 17th Street West  | 167,727             | 164,552           |
| 1365 16th Street West | 174,170             | 78,342            |
| 1351 16th Street West | 138,084             | -                 |
| 460 19th Street East  | 200,000             | -                 |
| <br>                  |                     |                   |
| <u>Duck Lake</u>      |                     |                   |
| 341 7th Street        | 132,190             | -                 |
| <br>                  |                     |                   |
| <u>Melfort</u>        |                     |                   |
| 310 Crawford Avenue   | 123,009             | 123,009           |
| <br>                  |                     |                   |
| <u>Nipawin</u>        |                     |                   |
| 302 8th Avenue East   | 200,000             | -                 |
| 106 5th Street North  | 100,381             | -                 |
|                       | <hr/>               | <hr/>             |
|                       | <b>\$ 1,627,481</b> | <b>\$ 802,354</b> |

**4. PROPERTY UNDER DEVELOPMENT**

|                       | <u>2018</u>       | <u>2017</u>       |
|-----------------------|-------------------|-------------------|
| <u>Prince Albert</u>  |                   |                   |
| 589 24th Street East  | \$ 162,209        | \$ 29,160         |
| 767 17th Street West  | 34,205            | -                 |
| 1870 13th Street West | 3,100             | 3,100             |
| 1351 16th Street West | -                 | 68,929            |
| <br>                  |                   |                   |
| <u>Duck Lake</u>      |                   |                   |
| 341 7th Street        | -                 | 109,662           |
| <br>                  |                   |                   |
| <u>Nipawin</u>        |                   |                   |
| 106 5th Street North  | -                 | 95,699            |
|                       | <hr/>             | <hr/>             |
|                       | <b>\$ 199,514</b> | <b>\$ 306,550</b> |

**PRINCE ALBERT HABITAT FOR HUMANITY INC.**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

5. MORTGAGE RECEIVABLE

|                                | <u>2018</u>         | <u>2017</u>         |
|--------------------------------|---------------------|---------------------|
| Non-forgivable first mortgages | \$ 3,095,711        | \$ 3,656,402        |
| Less: unamortized discount     | <u>(800,329)</u>    | <u>(975,953)</u>    |
|                                | 2,295,382           | 2,680,449           |
| Less: current portion          | <u>(197,427)</u>    | <u>(214,954)</u>    |
|                                | <u>\$ 2,097,955</u> | <u>\$ 2,465,495</u> |

First mortgages bear no interest, are secured by a charge on the specific property and are receivable in monthly/semi-monthly/bi-weekly/weekly payments with a twenty, twenty-five or thirty five year term. Payments are set annually based on the partner family's income.

All mortgages are non-interest bearing. However, due to the application of financial instrument accounting, imputed interest income on mortgages is recognized in the statement of operations over the life of the mortgage based on the prevailing interest rate in effect at the time of inception of the mortgage. Effectively, amortized cost is the present value of the expected cash flows of the financial instrument over the remaining life. The financial instrument is discounted using the effective (market) interest rate at the time of inception. As these financial instruments are non-interest bearing, this results in discounting the financial instrument and the recognition of interest income over the term of the instrument. Mortgages receivable are reduced by any payments made by the counter party.

Mortgages are measured at amortized cost using effective interest rates from 3.00% to 7.81%, payments for the subsequent year, and mortgage terms to a maximum 35 years.

6. CAPITAL ASSETS

|                               | <u>Cost</u>       | <u>Accumulated<br/>amortization</u> | <u>2018<br/>Net book<br/>value</u> | <u>2017<br/>Net book<br/>value</u> |
|-------------------------------|-------------------|-------------------------------------|------------------------------------|------------------------------------|
| Leasehold improvements        | \$ 92,542         | \$ 49,117                           | \$ 43,425                          | \$ 43,847                          |
| Motor vehicles                | 169,286           | 104,708                             | 64,578                             | 96,554                             |
| Portable building and fencing | 25,915            | 11,425                              | 14,490                             | 16,100                             |
| Tools                         | 30,359            | 22,204                              | 8,155                              | 10,193                             |
| Computer equipment            | 4,074             | 3,539                               | 535                                | 891                                |
| Steel racking                 | 1,000             | 903                                 | 97                                 | 121                                |
| 40 foot container             | -                 | -                                   | -                                  | 279                                |
|                               | <u>\$ 323,176</u> | <u>\$ 191,896</u>                   | <u>\$ 131,280</u>                  | <u>\$ 167,985</u>                  |

The following assets included above are held under capital lease Note 11:

|                     | <u>Cost</u> | <u>Accumulated<br/>amortization</u> | <u>2018<br/>Net book<br/>value</u> | <u>2017<br/>Net book<br/>value</u> |
|---------------------|-------------|-------------------------------------|------------------------------------|------------------------------------|
| 2016 Ford E4560 Van | \$ 39,825   | \$ 16,129                           | \$ 23,696                          | \$ 33,851                          |

**PRINCE ALBERT HABITAT FOR HUMANITY INC.**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

**7. INVESTMENT IN RESTORE**

The organization purchased River Bank Development Corporation's share of net assets of "The Prince Albert Recycle Store" on March 22, 2013, for a purchase price of \$50,000 and has been operating it as the ReStore.

**8. CREDIT FACILITY**

The organization has a credit facility with Conexus Credit Union, which includes an approved operating line that can be drawn upon to a maximum of \$125,000, which bears interest at prime plus 3% and is unsecured. At the statement of financial position date, the amount owing, which is due on demand, was \$135,488 (2017 - \$73,412).

**9. DEFERRED REVENUE**

Funding from the Saskatchewan Housing Corporation is recognized as revenue once the home has been fully developed and are occupied. Funding has been received to develop homes at the following addresses:

|                             | Balance,<br>beginning of<br>year | Revenue<br>received | Revenue<br>recognized | 2018              | 2017              |
|-----------------------------|----------------------------------|---------------------|-----------------------|-------------------|-------------------|
| <u>Prince Albert</u>        |                                  |                     |                       |                   |                   |
| 1351 16th Street<br>West    | \$ 55,556                        | \$ -                | \$ 55,556             | \$ -              | \$ 55,556         |
| 1365 16th Street<br>West    | 50,000                           | -                   | 50,000                | -                 | 50,000            |
| 589 24th Street<br>East     | 50,000                           | -                   | -                     | <b>50,000</b>     | 50,000            |
| 767 17th Street<br>West     | -                                | 65,000              | -                     | <b>65,000</b>     | -                 |
| <u>Melfort</u>              |                                  |                     |                       |                   |                   |
| 310 Crawford<br>Avenue West | 65,000                           | -                   | 65,000                | -                 | 65,000            |
| <u>Nipawin</u>              |                                  |                     |                       |                   |                   |
| 106 5th Street<br>North     | 65,000                           | -                   | 65,000                | -                 | 65,000            |
| <u>Duck Lake</u>            |                                  |                     |                       |                   |                   |
| 341 7th Street              | 50,000                           | -                   | 50,000                | -                 | 50,000            |
|                             | <b>\$ 335,556</b>                | <b>\$ 65,000</b>    | <b>\$ 285,556</b>     | <b>\$ 115,000</b> | <b>\$ 335,556</b> |

**PRINCE ALBERT HABITAT FOR HUMANITY INC.**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

**10. LONG TERM DEBT**

CNH Industrial Capital loan bearing interest at 5.45% per annum, repayable in monthly blended payments of \$5,770. The loan matures on June 12, 2022 and is secured by Case SR175 Skid Steer which has a carrying value of \$31,044.

|                                 | <u>2018</u>      | <u>2017</u>      |
|---------------------------------|------------------|------------------|
|                                 | \$ 36,330        | \$ 45,510        |
| Amounts payable within one year | <u>(9,691)</u>   | <u>(9,184)</u>   |
|                                 | <u>\$ 26,639</u> | <u>\$ 36,326</u> |

Principal repayment terms are approximately:

|      |                  |
|------|------------------|
| 2019 | \$ 9,691         |
| 2020 | 10,226           |
| 2021 | 10,791           |
| 2022 | <u>5,622</u>     |
|      | <u>\$ 36,330</u> |

**11. OBLIGATIONS UNDER CAPITAL LEASE**

Polaris Leasing lease bearing interest at 11% per annum, repayable in monthly blended payments of \$729. The lease matures on December 1, 2022 and is secured by 2016 Ford E4560 van which has a carrying value of \$23,696.

|                                 | <u>2018</u>      | <u>2017</u>      |
|---------------------------------|------------------|------------------|
|                                 | \$ 34,151        | \$ 39,096        |
| Amounts payable within one year | <u>(5,458)</u>   | <u>(4,945)</u>   |
|                                 | <u>\$ 28,693</u> | <u>\$ 34,151</u> |

Future minimum capital lease payments are approximately:

|   |                  |
|---|------------------|
| 2019  | \$ 8,749         |
| 2020  | 8,749            |
| 2021  | 8,749            |
| 2022  | <u>17,357</u>    |
| Total minimum lease payments                        | 43,604           |
| Less: amount representing interest at various rates | <u>(9,453)</u>   |
| Present value of minimum lease payments             | 34,151           |
| Less: current portion                               | <u>5,458</u>     |
|   | <u>\$ 28,693</u> |



PRINCE ALBERT HABITAT FOR HUMANITY INC.

Notes to Financial Statements

Year Ended December 31, 2018

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12. CONTRACTUAL OBLIGATIONS

The organization has committed to lease the ReStore and The Prince Albert Habitat for Humanity Inc office location for the next four years. The total lease payments required net of taxes are as follows:

|      |    |         |
|------|----|---------|
| 2019 | \$ | 40,800  |
| 2020 |    | 43,200  |
| 2021 |    | 43,200  |
| 2022 |    | 45,600  |
|      |    | <hr/>   |
|      | \$ | 172,800 |

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13. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate, and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2018.

*(a) Credit risk*

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk in the event of non-payment of mortgage receivable. In order to reduce its credit risk, the organization holds the properties as security.

*(b) Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization manages its liquidity risk by monitoring its operating requirements, and preparing budgets to ensure it has sufficient funds to fulfill its obligations.

*(c) Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

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**PRINCE ALBERT HABITAT FOR HUMANITY INC.**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

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**14. HABITAT FOR HUMANITY CANADA AND HABITAT FOR HUMANITY CANADA FOUNDATION**

The organization is an affiliate of Habitat for Humanity Canada (HFHC). There is a covenant agreement between HFHC and all other Canadian affiliates whereby HFHC provides administrative and marketing support, training opportunities and gifts in kind coordination. Pursuant to its affiliate covenant agreement with HFHC, the organization contributes a tithe for international work in the amount of 10% of its donations, excluding donations designated by a donor for local building. The organization also pays an affiliation fee consisting of \$12,500 per vote which the organization holds 2 votes, 10% on all nationally procured gifts in kind used for homebuilding, \$3,000 per home built by the organization and a percentage of the gross ReStore Prince Albert sales.

In addition, Habitat for Humanity Canada Foundation distributes the excess of nationally procured donations over the cost of its fundraising to the affiliates based on a formula that includes the number of homes built in the year. These distributions are recognized by the organization when received \$21,446 (2017 - \$29,766).

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**15. COMPARATIVE FIGURES**

Some of the comparative figures may have been reclassified to conform to the current year's presentation.

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**PRINCE ALBERT HABITAT FOR HUMANITY INC.**

**Net Contributions from ReStore**

*(Schedule 1)*

**Year Ended December 31, 2018**

|   | 2018           | 2017           |
|---|----------------|----------------|
| <b>SALES</b>                                | \$ 423,754     | \$ 524,798     |
| <b>COST OF SALES</b>                        | <u>17,651</u>  | <u>64,526</u>  |
| <b>GROSS PROFIT</b>                         | <u>406,103</u> | <u>460,272</u> |
| <b>EXPENSES</b>                             |                |                |
| Salaries and wages                          | 251,927        | 285,975        |
| Rent  | 40,800         | 38,400         |
| Amortization                                | 38,742         | 33,992         |
| Affiliation expenses (Note 14)              | 29,107         | 15,879         |
| Facilities                                  | 23,102         | 40,425         |
| Professional fees                           | 14,970         | 16,980         |
| Vehicle                                     | 13,201         | 21,632         |
| Workers Compensation Board expense          | 11,778         | 11,594         |
| Office                                      | 7,714          | 15,759         |
| Interest and bank charges                   | 6,522          | 7,041          |
| Insurance                                   | 5,354          | 4,700          |
| Interest on obligations under capital lease | 3,804          | -              |
| Advertising and promotion                   | 2,951          | 15,164         |
| Meetings and conventions                    | 2,451          | 2,722          |
| Interest on long term debt                  | 2,378          | 2,250          |
| Repairs and maintenance                     | 1,178          | 6,787          |
| Sub-contracts                               | 422            | 12,209         |
|   | <u>456,401</u> | <u>531,509</u> |
| <b>LOSS FROM OPERATIONS</b>                 | \$ (50,298)    | \$ (71,237)    |

See notes to financial statements