Financial Statements of

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Year ended December 31, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements for the year ended December 31, 2023 are the responsibility of management and have been reviewed and approved by senior management. The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and of necessity, include some amounts that are based on estimates and judgment.

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

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

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

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

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

April 2, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Habitat for Humanity - Edmonton Society

Opinion

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

- the statement of financial position as at December 31, 2023
- 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, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2023, 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 Opinion

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 auditor's report.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 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 Society's internal control.

KPMG

- 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 Society'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 Society 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

Edmonton, Canada

April 2, 2024

HABITAT FOR HUMANITY - EDMONTON SOCIETY

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Year ended December 31, 2023

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Statement of Financial Position

As at December 31, 2023, with comparative information for 2022

		2023		2022
Assets				
Current assets:				
Cash	$	31,031	$	8,833
Accounts receivable (note 3)		187,263		129,603
Current portion of mortgages receivable (note 4)		1,720,870		1,859,035
Homes held for sale (Schedule 1)		7,378,330		17,816,678
Construction in progress (Schedule 1)		1,251,686		325,925
Land for future builds (Schedule 1)		303,400		650,200
Other current assets (note 5)		189,002		212,166
		11,061,582		21,002,440
Mortgages receivable (note 4)		42,032,875		44,145,486
Investments (note 6)		5,600,071		5,118,848
Capital assets (note 7)		1,592,878		1,578,604
	$	60,287,406	$	71,845,378
Liabilities and Net Assets				
Current liabilities:				
Operating loan (note 8)	$	2,785,125	$	3,246,053
Accounts payable and accrued liabilities (note 9)		646,067		582,333
Tenant deposits and other property accruals (note 10)		628,782		1,271,974
Due to affiliates (note 11)		-		21,875
Deferred contributions (note 12)		1,101,177		1,037,284
Deferred capital contributions (note 13)		25,742		25,742
Current portion of term debt (note 8)		11,523,225		10,970,388
		16,710,118		17,155,649
Deferred capital contributions (note 13)		83,872		109,614
Term debt (note 8)		3,314,093		9,279,192
		20,108,083		26,544,455
Net assets:				
Internally restricted		5,600,071		5,118,848
Invested in capital assets		1,483,264		1,443,248
Unrestricted		33,095,988		38,738,827
		40,179,323		45,300,923
Commitments (note 18)				
	$	60,287,406	$	71,845,378

See accompanying notes to financial statements.

Chair, Board of Directors

Chair, Audit & Risk Committee

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Revenues:		
Donations and fundraising	$ 1,179,162	$ 969,425
In-kind donations	10,076	348,759
Government grants (note 14)	341,927	202,004
Other income	648,795	608,188
Investment income (loss) (note 6)	558,002	(347,204)
	2,737,962	1,781,172
Sales and cost of sales (note 15):		
Home sales	15,165,877	15,513,651
Cost of home sales and building operations	(19,300,338)	(19,392,601)
Other income (expenses) related to home sales	116,887	(1,536,121)
	(4,017,574)	(5,415,071)
Program expenses (Schedule 2):		
Homeowner and community support	(1,040,973)	(1,368,260)
Interest on bank overdraft and debt (note 8)	(940,209)	(876,461)
Volunteer support	(113,085)	(206,165)
Capacity building	(377,105)	(359,406)
	(2,471,372)	(2,810,292)
Net program activity	(3,750,984)	(6,444,191)
ReStore (Schedule 3):		
Revenue	5,889,055	5,634,602
Expenses	(4,408,701)	(4,224,048)
	1,480,354	1,410,554
Prefab Contribution Centre:		
Revenue	9,828	11,062
Expenses	(7,959)	(9,076)
	1,869	1,986
General and administrative expenses (Schedule 4)	(2,852,839)	(2,742,004)
Deficiency of revenue over expenses	$ (5,121,600)	$ (7,773,655)

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

	Internally restricted	Invested in capital assets	Unrestricted	2023	2022
Balance, beginning of year	$ 5,118,848	$ 1,443,248	$ 38,738,827	$ 45,300,923	$ 53,074,578
Excess (deficiency) of revenue over expenses	-	25,742	(5,147,342)	(5,121,600)	(7,773,655)
Transfers	481,223	-	(481,223)	-	-
Investment in capital assets	-	167,084	(167,084)	-	-
Amortization of capital assets	-	(152,810)	152,810	-	-
Balance, end of year	$ 5,600,071	$ 1,483,264	$ 33,095,988	$ 40,179,323	$ 45,300,923

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

		2023		2022
Cash provided by (used in):				
Operations:				
Deficiency of revenue over expenses	$	(5,121,600)	$	(7,773,655)
Non-cash Items:				
In-kind donations		(10,076)		(348,759)
Amortized interest on mortgages receivable (note 15)		(1,766,479)		(2,704,817)
Realized and unrealized (gains) loss on investments		(368,829)		510,727
Amortization of capital assets		152,810		150,550
Amortization of deferred capital contributions		(25,742)		(24,649)
		(7,139,916)		(10,190,603)
Change in non-cash working capital:				
Accounts receivable		(47,584)		979,138
Mortgage receivable		4,017,255		4,289,667
Homes held for sale		10,438,348		7,155,522
Construction in progress		(925,761)		189,987
Land for future builds		346,800		429,240
Other current assets		23,164		53,893
Accounts payable and accrued liabilities		63,734		(77,779)
Deposits and other property accruals		(643,192)		(459,449)
Due to affiliates		(21,875)		-
Deferred capital contributions		-		(14,911)
Deferred contributions		63,893		975,143
		6,174,866		3,329,848
Investments:				
Net purchases of investments		(112,394)		(830,645)
Purchase of capital assets		(167,084)		(33,172)
		(279,478)		(863,817)
Financing:				
Proceeds from (repayments of) operating loan - net		(460,928)		618,388
Repayments of debt principal		(5,412,262)		(3,085,557)
		(5,873,190)		(2,467,169)
Increase (decrease) in cash		22,198		(1,138)
Cash, beginning of year		8,833		9,971
Cash, end of year	$	31,031	$	8,833

See accompanying notes to the financial statements.

1. **Purpose of the Society:**

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

The Society operates throughout northern Alberta with a mission to mobilize volunteers and community partners to support the acquisition of affordable housing and the promotion of home ownership as a means of creating positive generational change. To support administrative and fundraising efforts, the Society operates a retail chain called ReStores by selling donated goods and materials. The Society had an additional social enterprise through the Prefab Contribution Centre which was closed in 2023.

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

To qualify under the Society’s homeownership program, a homeowner must meet certain eligibility criteria. Once the criteria have been met, an applicant is accepted into the program and becomes a “Homeowner”. Homeowners purchase a Society-owned home through an affordable mortgage that requires monthly payments of no more than 30% of their annual income at inception.

When a Homeowner leaves the program, the Society holds a right of first refusal to repurchase the home. At the time of exiting the home, Homeowners are entitled to their principal mortgage payments less amounts required to repair any home damage. Additionally, depending on their tenure in the program, the Homeowner may be entitled to a portion of market appreciation.

2. **Significant accounting policies:**

a) Basis of presentation:

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

b) Controlled entities:

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

c) Cash:

Cash consists of cash on hand and deposits with financial institutions.

d) Mortgages receivable:

The Society provides non-interest-bearing mortgages to its Homeowners. At inception, mortgages are recorded at fair value and the fair value discount is recorded in cost of sales. Subsequently, mortgages receivable are carried at amortized cost, with the fair value discount booked at inception, amortized to interest income over the term of the loan. If the Society repurchases a home from a Homeowner, the remaining discount at the time of sale is brought into income.

2. Significant accounting policies:

d) Mortgages receivable (continued):

Historically, the Society offered forgivable second mortgages to certain Homeowners. Due to the uncertainty of collection, these forgivable second mortgages are recognized at a fair value of $nil. If conditions arise that require forgivable portions to be repaid, or the right to forgiveness has been forfeited, the previously forgivable portion will be recognized as revenue.

e) Homes held for sale:

Homes held for sale are reported at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of operations, less costs to sell. Any excess costs over net realizable value are expensed in the year in which the impairment is identified.

f) Construction in progress:

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

g) Land for future builds:

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

h) Capital assets:

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

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

Land is not amortized.

The Society tests its long-lived assets including capital assets when a significant change in circumstances indicates the carrying amount of an asset may exceed its fair value. An impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value. Impairment in the carrying value of long-lived assets is charged as an expense in the year the impairment is determined.

2. Significant accounting policies (continued):

i) Leases:

The Society accounts for leases as either operating or capital. Assets acquired under capital lease are amortized over the lease term, or if the lease contains terms that allow ownership to pass to the Society for a bargain purchase option, assets are amortized over their estimated useful lives. Obligations under capital lease are measured at the lower of the present value of future minimum lease payments and fair value. Leases not meeting the capital lease criteria are treated as operating leases with lease payments recorded as an expense on a straight-line basis over the lease term.

j) Revenue recognition:

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

Unrestricted investment income is recognized when earned. Restricted investment income is recognized in revenue in the year in which the related expenses are incurred. The Society has no restricted investments as at December 31, 2023 or 2022.

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

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

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

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

k) Donated goods and services:

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

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

A substantial number of volunteers make significant contributions of their time to the Society, in all facets of the organization including the building of homes, the operation of two social enterprises (Prefab Contribution Centre and ReStore), the Homeowner selection process and other ancillary tasks such as administration. The fair value of this contributed time is not quantifiable and thus is not reflected in these financial statements.

2. Significant accounting policies (continued):

l) Internally restricted net assets:

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

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

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. Significant estimates made in the preparation of these financial statements include:

- allowances for doubtful accounts on mortgages receivable if the collateralized property is not estimated to exceed the value of the mortgage receivable;
- useful life of capital assets and their corresponding amortization rates and methods;
- Society’s arm’s length lending rates to fair value mortgages receivable at inception;
- estimates determining net realizable value of homes held for sale, construction in progress and land for future builds; and
- fair value of in-kind donations.

Actual results could differ from these estimates.

3. Accounts receivable:

		2023		2022
Due from condominium corporations	$	4,446	$	55,132
Trade		49,298		43,158
Other		83,519		31,313
Grants		50,000		-
	$	187,263	$	129,603

4. Mortgages receivable:

The Society's mortgages receivable include two main types of mortgages, both of which are non-interest bearing. These mortgages are initially recorded at fair value, which is estimated as the present value of all future cash receipts, discounted using the Society's prevailing market interest rate. These mortgages are subsequently recognized at amortized cost.

a) Legacy Mortgages:

A non-interest bearing first mortgage ("Legacy Mortgage") which was preceded by a minimum one-year tenancy period. A "Partner Family" was considered a tenant in the first year of occupancy until they complete the requirements to become a Homeowner. During this phase, monthly tenancy deposits were collected by the Society and applied against the opening mortgage for qualifying families. Mortgage repayment terms were based on family income levels, which are reviewed annually. During the year, there were 3 (2022 - 15) Legacy Mortgages signed, bringing the total number of Legacy Mortgages first to 223 (2022 - 237) and Legacy Non-Forgivable Second Mortgages to 1 (2022 - 1). This mortgage offering is no longer available, other than for exceptional circumstances.

b) Open Market Mortgages:

A non-interest bearing second mortgage ("Open Market Mortgage") where a third-party financial institution holds an interest-bearing first mortgage offered at preferred interest rates, while the Society holds a non-interest bearing second mortgage that is fully payable after 20 years. The opening first mortgage is between 30% and 50% of the home sales value, with the initial mortgage proceeds being paid directly to the Society. These first mortgages are strictly between the Homeowner and the financial institution, and thus are arms-length to the Society. There is no required one-year tenancy period for these Homeowners. During the year there were 45 (2022 - 45) Open Market Mortgages signed, bringing the total number of Open Market Mortgages to 161 (2022 - 122).

4. Mortgages receivable (continued):

		2023		2022
Legacy Mortgages				
Gross receivable	$	39,126,654	$	44,029,628
Unamortized fair value adjustment		(6,962,906)		(7,989,925)
Amortized cost		32,163,748		36,039,703
Less: current portion		(1,720,870)		(1,869,558)
Long-term portion	$	30,442,878	$	34,170,145

		2023		2022
Open Market Mortgages				
Gross receivable	$	20,882,161	$	16,106,730
Unamortized fair value adjustment		(9,292,164)		(6,141,912)
Amortized cost		11,589,997		9,964,818
Less: current portion		-		10,523
Long-term portion	$	11,589,997	$	9,975,341

		2023		2022
Total Mortgages				
Total Mortgages receivable	$	43,753,745	$	46,004,521
Less: current portion		(1,720,870)		(1,859,035)
Long-term portion	$	42,032,875	$	44,145,486

During 2023, there were 21 (2022 - 41) homes repurchased from Homeowners with total accumulated equity of $1,806,844 (2022 - $3,431,811) paid to Homeowners. Additionally, the Society refunded tenancy deposits to 5 prospective Homeowners (2022 - 16), for a total of $69,251 (2022 - $341,328).

4. Mortgages receivable (continued):

c) Forgivable second mortgages:

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

At December 31, 2023, 17 (2022 - 19) forgivable second mortgages remain, totaling $565,077 (2022 - $601,677). These balances are reflected at a fair value of $nil. During 2023, there was nil (2022 - 1) forgivable second mortgage repayments and 2 (2022 - 4) forgiven second mortgages.

d) Right of first refusal:

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

5. Other current assets:

	2023	2022
Prepaid rent and insurance	$ 129,797	$ 142,883
Consumable inventory	8,568	41,456
Other deposits	50,637	27,827
	$ 189,002	$ 212,166

6. Investments:

The Society's investments in fixed income fund, Canadian equities and Global equity fund are carried at fair value. Cash and GIC's are recorded at their carrying value, which approximates fair value. GIC's are comprised of $1.2m at 5.49% due March 27, 2024 and $1.5m at 5.2% due December 27, 2024.

		2023		2022
Cash	$	109,825	$	207,816
Guaranteed investment certificates (GIC's)		2,701,577		-
Fixed income fund		1,478,504		2,190,845
Canadian equities		528,496		1,060,375
Global equity fund		781,669		1,659,812
	$	5,600,071	$	5,118,848

Investment income (loss) is comprised of:

		2023		2022
Interest	$	6,015	$	6,015
Interest on GIC's		1,577		-
Dividends		181,541		157,505
Realized gains		54,884		33,827
Unrealized gains (losses)		313,985		(544,551)
	$	558,002	$	(347,204)

7. Capital assets:

						2023		2022
		Cost		Accumulated amortization		Net book value		Net book value
Building, Habitat Centre	$	2,459,763	$	1,275,602	$	1,184,161	$	1,170,978
Land		235,000		-		235,000		235,000
Retail equipment		359,520		259,107		100,413		86,287
Automotive equipment		415,371		413,914		1,457		13,538
Office equipment		395,959		324,112		71,847		72,324
Construction equipment		178,968		178,968		-		-
Leasehold improvements		299,197		299,197		-		477
	$	4,343,778	$	2,750,900	$	1,592,878	$	1,578,604

8. Operating and term loans:

	2023	2022
Operating loan	$ 2,785,125	$ 3,246,054
Fixed term loan (31), interest at 2.06% per annum due on demand	875,861	913,270
Fixed term loan (28), interest at 2.00% per annum due February 29, 2024	2,880,361	3,019,883
Fixed term loan (15), interest at 0.15% per annum above prime lending rate, paid in full during the year	-	4,732,696
Fixed term loan (16), interest at 3.80% per annum, to March 30, 2023, 0.15% per annum above prime lending rate thereafter, due March 30, 2024	4,619,309	4,823,882
Fixed term loan (14), interest at 2.79% per annum, to May 14, 2025, 0.15% per annum above prime lending rate thereafter, due March 30, 2026	3,550,314	3,708,888
Fixed term loan (36), interest at 3.13% per annum, due August 30, 2026	2,911,473	3,035,960
CMHC term loan, interest at nil%	-	15,000
Total debt	17,622,443	23,495,633
Less: current portion of term loans	11,523,225	10,970,388
Less: operating loan	2,785,125	3,246,053
	$ 3,314,093	$ 9,279,192

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

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

8. Operating and term loans (continued):

Under the terms of the credit agreement, as the term loans expire, they are automatically rolled into a variable rate loan. The Society has two loans coming due in the next fiscal year and management will make the assessment whether to lock into a fixed rate or leave as a variable rate loan.

The funds available under the operating loans are reduced by any outstanding letters of credit issued pursuant to this facility agreement. At December 31, 2023, the Society had outstanding letters of credit, totaling $7,000 (2022 - $22,000).

The Society must maintain a Debt Service Coverage (DSC) ratio of not less than 100% at all times. The DSC is adjusted by certain non-recurring or unusual items that may occur during the period. At December 31, 2023, the Society was in compliance with the DSC ratio.

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

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

Prior to yearend and continuing subsequent to year end, management has been in discussions with its lenders to amend certain terms including reducing the term loan facility from $27,500,000 to $18,500,000. Management expects the amendments to be approved in the next fiscal year.

Interest of $759,829 (2022 - $769,035) for fixed term loans and $180,380 (2022 - $107,426) on the operating loan is included in the interest expense in the statement of operations.

Principal repayments to loan maturities are as follows:

2024	$	11,523,225
2025		3,502,075
2026		2,597,143
	$	17,622,443

9. Government remittances:

Included in accounts payable and accrued liabilities at year-end are government remittances payable of $nil (2022 - $nil). Government remittances included in accounts receivable are $30,998 (2022 - $24,906).

10. Tennant deposits and other property accruals:

		2023		2022
Security and tenant deposits	$	47,875	$	541,741
Amounts to be remitted for property tax and insurance		580,907		730,233
	$	628,782	$	1,271,974

Under the Legacy Mortgage (no longer offered other than for exceptional circumstances) , there was a one-year tenancy period. During this period, monthly tenancy deposits were collected by the Society and could be applied against the opening mortgage for qualifying families.

11. Due to affiliates:

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

12. Deferred contributions:

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

		2023		2022
Balance, beginning of year	$	1,037,284	$	62,141
Contributions received during the year		486,927		1,202,004
Recognized as revenue (government grants)		(341,927)		(202,004)
Recognized as revenue (other donations and fundraising)		(81,107)		(24,857)
Balance, end of year	$	1,101,177	$	1,037,284

13. Deferred capital contributions:

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

	2023	2022
Balance, beginning of year	$ 135,356	$ 174,916
Contributions	-	(14,911)
Recognized as other revenue	(25,742)	(24,649)
Balance, end of year	109,614	135,356
Less: current portion	(25,742)	(25,742)
Long-term portion	$ 83,872	$ 109,614

14. Government grant program revenue:

	2023	2022
Canada Mortgage and Housing Corporation	$ 250,000	$ 129,997
Government of Alberta grants	91,927	65,849
Canada Emergency Wage Subsidy		6,158
	$ 341,927	$ 202,004

15. Sales and cost of sales:

		2023		2022
Legacy Mortgages				
Home sales	$	806,000	$	3,654,000
Cost of home sales		(761,588)		(3,649,372)
Mortgage receivable fair value adjustment (note 4)		(242,609)		(870,965)
		(198,197)		(866,337)
Open Market Mortgages				
Home sales		11,315,165		11,180,750
Cost of home sales		(11,110,233)		(10,746,364)
Mortgage receivable fair value adjustment (note 4)		(3,647,102)		(3,117,948)
		(3,442,170)		(2,683,562)
Other income (expenses) related to home sales				
Amortization of mortgage receivable fair value adjustments (note 4)				
Legacy Mortgages		1,269,628		2,229,716
Open Market Mortgages		496,851		475,101
Impairments and other costs on repurchase of homes		(899,752)		(3,825,727)
Impairments and other costs on homes held for sale		(749,840)		(415,211)
		116,887		(1,536,121)
External sales of properties (outside of the program)				
Sales		3,044,712		678,901
Cost of sales		(3,538,806)		(1,007,952)
		(494,094)		(329,051)
	$	(4,017,574)	$	(5,415,071)

Notes related to Other income (expense):

- Amortization of mortgage receivable fair value adjustments includes (a) the annual amortization of the mortgage receivable adjustments and (b) recognition of unamortized mortgage discounts at the time of repurchase of homes.

16. Mortgage and tenancy cash receipts:

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

	2023	2022
Monthly mortgage payments	$ 2,793,572	$ 2,644,748
Open Market Mortgages - first mortgage proceeds	5,657,083	5,528,535
Tenancy payments	69,508	294,768
Rental payments recognized as income	217,247	248,000
Forgivable second mortgage payments	-	25,650
	$ 8,737,410	$ 8,741,701

17. Habitat for Humanity Canada fees:

The Society remits payments for national programs and initiatives based on the number of families served, ReStore sales and nationally administrated gifts in kind. The Society expensed a tithe fee of $2,500 for 42 (2022 - 38) families served. Fees incurred during the year consists of the following:

	2023	2022
ReStore fees	$ 225,640	$ 216,578
Tithe fees	105,000	95,000
Annual fee	51,246	50,000
Build & ReStore gift in kind fees	50,000	56,877
	$ 431,886	$ 418,455

18. Commitments:

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

2024	$	1,133,802
2025		969,024
2026		914,775
2027		826,608
2028		826,608
Thereafter		2,253,446
	$	6,924,263

As disclosed in note 8, the Society has outstanding letters of credit which may be called on.

19. Financial risk:

The Society is exposed to various risks due to its holding of certain financial instruments. Unless otherwise stated below, the risks remains consistent with the previous year.

a) Credit risk:

The Society is exposed to credit risk in the event of non-payment of mortgages by Homeowners or from non-collection of accounts receivable. Management believes that the credit risk from non-collection of mortgages is mitigated as the carrying value of the mortgages is secured by the value of the underlying homes. Further, the credit risk arising from non-payment of accounts receivable balances is not significant as the amounts are due primarily from government bodies.

b) Liquidity risk:

Liquidity risk is the risk of loss from not having access to sufficient funds to meet both expected and unexpected cash demands. The Society manages its liquidity risk by monitoring forecasted and actual cash flows. Additionally, the Society maintains an investment portfolio, that can be readily converted to cash, to cover any operating shortfalls.

The Society's financial liabilities, which expose it to liquidity risk are the operating loan, accounts payable and accrued liabilities, amounts due to Homeowners and affiliates and term debt. The most significant risk facing the Society is the operating loan and many of the term loans (note 8) are due on demand. The Society manages liquidity risk related to its debt by complying with its debt terms, including complying with financial covenants.

19. Financial risk (continued):

c) Market risk:

Market risk is comprised of currency risk, interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the value of a financial instrument or future cash flows can change depending on changes in market interest rates. The fixed income investments (note 6) indirectly expose the Society to interest rate risk as the fair value of these investments will change when prevailing market interest rates change. Interest rate risk related to the Society's term debt holdings (note 8) is mitigated as these loans are issued at fixed interest rates. The operating line (note 8) exposes the Society to interest rate risk as it bears interest at floating rates of interest indexed to the prime lending rate. The interest free mortgages receivable are subject to interest rate risk at the time of a home sale, as the discount brought into income is calculated with reference to the Society's lending rates at the time of sale.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Society's investments in fixed income fund, Canadian equities and Global equities fund (note 6) are subject to price risk as their fair values will change with the change in prevailing quoted market prices for these investments.

Foreign currency risk

Foreign currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The investments in non-Canadian equities expose the Society to foreign currency risk. The Society does not hold any other financial instruments that expose it to material foreign currency risk.

20. Comparative figures:

Certain comparative figures have been represented to conform with current year's presentation.

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Schedule 1 - Homes Asset Inventory

Year ended December 31, 2023

	Number of Homes		2023
Homes held for sale:			
Edmonton	12	$	2,592,528
Stony Plain	12		1,881,000
Fort Saskatchewan	2		578,312
St. Albert	5		1,143,953
Edson	2		405,597
Wetaskiwin	1		178,000
Lloydminster	3		357,340
Vermillion	1		241,600
	38	$	7,378,330

	2023	2022
Homes held for sale	38 homes	100 homes
Construction in progress	6 homes	2 homes
Land for future builds	4 lots	9 lots

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Schedule 2 - Program Expenses

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Homeowner and community support		
Salaries and benefits	$ 410,555	$ 464,066
Homeowner expenses	389,738	677,737
Habitat for Humanity Canada tithe	105,000	95,000
Other	41,225	30,686
Contracted services	91,114	98,595
Travel	3,341	2,176
	1,040,973	1,368,260
Interest on bank overdraft and debt (note 8)		
Interest on debt	759,829	769,035
Interest on bank overdraft	180,380	107,426
	940,209	876,461
Volunteer support		
Salaries and benefits	94,626	168,696
Volunteer meals and other expenses	17,859	36,869
Amortization	600	600
	113,085	206,165
Capacity building		
Facilities	378,863	361,604
Salaries and benefits	-	439
Allocations to builds	(1,758)	(2,637)
	377,105	359,406
	$ 2,471,372	$ 2,810,292

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Schedule 3 - ReStore

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Revenue		
Sales	$ 5,641,009	$ 5,414,438
Donations	227,616	196,126
Grants	-	22,006
Other income	20,430	2,032
	5,889,055	5,634,602
Expenses		
Salaries and benefits	2,410,659	2,338,746
Facilities	1,379,370	1,264,375
Fees and dues	231,536	220,192
Product Costs	125,981	130,257
Travel	49,611	63,216
Other	79,615	55,273
Advertising and promotion	34,230	52,167
Amortization	46,946	51,546
Bank charges	50,753	48,276
	4,408,701	4,224,048
ReStore contribution	$ 1,480,354	$ 1,410,554
Gross margin	25%	25%

HABITAT FOR HUMANITY - EDMONTON SOCIETY

Schedule 4 - General and Administrative Expenses

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Salaries and benefits	$ 2,013,620	$ 1,934,932
Advertising and promotion	102,665	171,384
Contracted services	196,044	154,639
Professional fees	106,549	103,732
Amortization	104,773	97,906
Facilities	89,921	56,803
Bank charges	39,405	54,155
Office	71,404	54,032
Habitat for Humanity Canada fees	51,970	51,409
Travel	19,796	32,332
Insurance	56,692	30,680
	$ 2,852,839	$ 2,742,004

Total costs of fundraising of $370,584 (2022 - $358,754) are included in General and Administrative Expenses. Excluding salaries and benefits of $267,919 (2022 - $187,370), a portion of these costs represent in-kind donations. No amount (2022 - $nil) was paid as remuneration to a fund-raising business, including any expense or fees paid by the Society on behalf of the fund-raising business.