



Habitat for Humanity®
Habitat pour l'humanité®
Canada

Financial Statements
For the year ended December 31, 2014

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Independent Auditor's Report

To the Directors of Habitat for Humanity Canada Habitat pour l'humanité Canada

We have audited the accompanying financial statements of Habitat for Humanity Canada Habitat pour l'humanité Canada, which comprise the statement of financial position as at December 31, 2014, the statements of changes in fund balances, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donated gifts-in-kind, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. We were unable to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and fund balances.



Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Habitat for Humanity Canada Habitat pour l'humanité Canada as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Accounting Standards for Not-for-Profit Organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Cambridge, Ontario
March 31, 2015

Habitat for Humanity Canada Habitat pour l'humanité Canada
Statement of Financial Position

December 31

2014 2013

	Designated Fund	Unrestricted Fund	Total	Total
Assets				
Current				
Cash (Note 2)	\$4,363,631	\$ 538,359	\$4,901,990	\$ 6,418,655
Temporary investment (Note 3)	516,826	-	516,826	510,498
Accounts receivable (Note 4)	-	879,140	879,140	429,567
Prepaid expenses and other	-	119,291	119,291	127,691
Due from HFHC Foundation	-	-	-	106,960
Due from Designated Fund (Note 5)	-	241,420	241,420	172,242

Capital assets (Note 6)	4,880,457	1,778,210	6,658,667	7,765,613
	-	96,618	96,618	7,759

\$4,880,457 \$1,874,828 \$6,755,285 \$ 7,773,372

Liabilities and Fund Balances

Current				
Accounts payable and accrued liabilities	-	\$ 836,304	\$ 836,304	\$ 1,038,755
Due to Unrestricted Fund (Note 5)	241,420	-	241,420	172,242

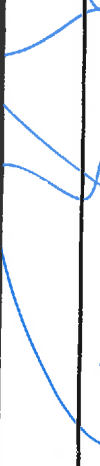
241,420 836,304 1,077,724 1,210,997

Fund balances				
Nationally designated (Note 7)	2,176,765	-	2,176,765	1,873,122
Internationally designated (Note 8)	2,462,272	-	2,462,272	3,706,747
Unrestricted	-	1,038,524	1,038,524	982,506

4,639,037 1,038,524 5,677,561 6,562,375

\$4,880,457 \$1,874,828 \$6,755,285 \$ 7,773,372

On behalf of the Board:  Director

 Director

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity Canada Habitat pour l'humanité Canada
Statement of Changes in Fund Balances

<u>For the year ended December 31</u>	2014		2013	
	Designated Fund	Unrestricted Fund	Total	Total
Fund balances, beginning of year	\$ 5,579,869	\$ 982,506	\$ 6,562,375	\$ 4,030,094
Net change in fund balance for the year	(940,832)	56,018	(884,814)	2,532,281
<u>Fund balances, end of year</u>	<u>\$ 4,639,037</u>	<u>\$ 1,038,524</u>	<u>\$ 5,677,561</u>	<u>\$ 6,562,375</u>

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity Canada Habitat pour l'humanité Canada
Statement of Operations

For the year ended December 31

2014 **2013**

	Designated Fund	Unrestricted Fund	Total	Total
Revenue				
Donations	\$ 5,625,214	\$ 2,778,640	\$ 8,403,854	\$ 10,255,044
Donations (Gift-in-Kind)	6,896,899	-	6,896,899	6,948,355
Global Village Program (Note 9)	2,698,962	679,122	3,378,084	2,854,304
Government	646,092	49,216	695,308	835,808
Fees	-	2,445,868	2,445,868	2,187,405
Other income	-	116,570	116,570	134,239
	15,867,167	6,069,416	21,936,583	23,215,155
Expenses				
Resource development	-	1,997,512	1,997,512	2,111,661
Programs and services (Note 10)	30,381	2,428,768	2,459,149	2,517,794
Finance and administration, governance, marketing and communications, government relations (Note 11)	117,654	1,553,230	1,670,884	1,482,856
Amortization	-	15,874	15,874	4,953
	148,035	5,995,384	6,143,419	6,117,264
Transfers from HFHCF				
	15,719,132	74,032	15,793,164	17,097,891
Transfers to Affiliates (Note 12)				
	87,900	1,509	89,409	347,309
Transfers to International				
	(10,670,099)	-	(10,670,099)	(10,154,453)
Transfers (interfund)				
	(6,097,288)	-	(6,097,288)	(4,758,466)
	19,523	(19,523)	-	-
Net change in fund balance	\$ (940,832)	\$ 56,018	\$ (884,814)	\$ 2,532,281

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity Canada Habitat pour l'humanité Canada
Statement of Cash Flows

For the year ended December 31

2014 2013

	Designated Fund	Unrestricted Fund	Total	Total
Sources of cash:				
Donations	\$ 8,970,268	\$ 3,506,978	\$ 12,477,246	\$ 13,945,157
Sale of investment	510,498	-	510,498	504,195
Transfer from HFHC Foundation	87,900	108,469	196,369	591,745
Fees, contract services and other	-	2,112,865	2,112,865	2,711,622
	<u>9,568,666</u>	<u>5,728,312</u>	<u>15,296,978</u>	<u>17,752,719</u>
Uses of cash:				
Salaries and benefits	-	(3,510,789)	(3,510,789)	(3,287,160)
Purchase of investment	(516,826)	-	(516,826)	(510,498)
Purchased materials and services	(148,035)	(2,667,776)	(2,815,811)	(2,303,034)
Cash transfers from (to) affiliates	(3,773,200)	5,004	(3,768,196)	(3,245,452)
Transfer to International	(6,097,288)	-	(6,097,288)	(4,758,466)
Purchase of capital assets	-	(104,733)	(104,733)	(1,218)
	<u>(10,535,349)</u>	<u>(6,278,294)</u>	<u>(16,813,643)</u>	<u>(14,105,828)</u>
Increase (decrease) in cash	(966,683)	(549,982)	(1,516,665)	3,646,891
Cash, beginning of year	5,241,613	1,177,042	6,418,655	2,771,764
Interfund transfers	88,701	(88,701)	-	-
Cash, end of year	<u>\$ 4,363,631</u>	<u>\$ 538,359</u>	<u>\$ 4,901,990</u>	<u>\$ 6,418,655</u>

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity Canada Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2014

1. Summary of Significant Accounting Policies

Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).
Nature of Business	Habitat for Humanity Canada Habitat pour l'humanité Canada (HFHC) is designated as a registered charitable organization. Incorporated in 1985, its mission is to mobilize volunteers and community partners in building affordable housing and promoting home-ownership as a means to breaking the cycle of poverty. Due to its status with the government, the organization is not subject to tax.
Fund Accounting	<p>HFHC follows the restricted fund method of accounting for contributions.</p> <p>The Unrestricted Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted revenues and expenditures.</p> <p>The Designated Fund reports the assets, liabilities, revenue and expenditures related to each designation. The designation of a contribution to a specific designated fund has been either externally imposed by the donor or internally imposed by the organization.</p>
Revenue Recognition	<p>Contributions related to specific projects performed by the organization and/or affiliates are recorded in the designated fund when received.</p> <p>Unrestricted donations are recognized as revenue of the unrestricted fund in the period received.</p> <p>Investment income earned on designated fund resources is recognized as revenue of the unrestricted fund when earned.</p> <p>Pledges and tithes related to special projects are reported on the cash basis due to uncertainty of collection.</p> <p>Fee revenue is recognized in the unrestricted fund when due according to the governing bylaws.</p>
Gift-in-Kind Donations	Donated materials (GIK) are recorded at fair value when determinable.

Habitat for Humanity Canada Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2014

1. Summary of Significant Accounting Policies (continued)

Harmonized Sales Tax As a registered charity the organization receives the public service bodies' rebate of 50% of the federal portion of the HST paid and 82% of the provincial portion of HST paid in Ontario and 50% of the provincial portion of HST paid in Nova Scotia, New Brunswick and Newfoundland.

Capital Assets Capital assets are stated at cost if purchased or estimated fair value if donated. Amortization based on the estimated useful life of the asset is calculated as follows:

Computer equipment - 20% straight line basis
Office equipment - 20% straight line basis
Leasehold improvements - 20% straight line basis

Amortization is prorated in the year of acquisition and no amortization is provided in the year of disposal.

Use of Estimates The preparation of financial statements in accordance with ASNPO 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments Financial instruments are recorded at fair value when acquired or issued. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

Habitat for Humanity Canada Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2014

1. Summary of Significant Accounting Policies (continued)

Leased Assets

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the NPO, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed on incurred.

2. Cash

The organization's bank accounts are held at one chartered bank. They earn interest at a nominal rate. Cash consists of bank balances net of outstanding cheques and deposits.

The organization has unused credit capacity of \$250,000 under an operating line. The operating line of credit bears interest at prime plus 1.0% and is secured by a general security agreement.

Cash balances include \$84,147 denominated in U.S. dollars.

3. Temporary Investment

The organization holds a guaranteed investment certificate earning interest at 1.25%, due May 1, 2015.

4. Accounts Receivable

	<u>2014</u>	<u>2013</u>
Due from affiliates	\$ 378,696	\$ 237,135
HST refund	208,092	103,185
Other	<u>292,352</u>	<u>89,247</u>
	<u>\$ 879,140</u>	<u>\$ 429,567</u>

Habitat for Humanity Canada Habitat pour l'humanité Canada Notes to Financial Statements

December 31, 2014

5. Interfund Balances

The organization's designated fund owes \$241,420 to the unrestricted fund at year end. There is sufficient cash in HFHC to pay the amount owing to the unrestricted fund at year end.

At December 31, 2013 the organization's designated fund owed \$172,242 to the unrestricted fund.

6. Capital Assets

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 51,871	\$ 43,493	\$ 45,049	\$ 40,832
Office equipment	148,436	113,515	111,008	107,466
Leasehold improvements	112,887	59,568	52,405	52,405
	<u>\$ 313,194</u>	<u>\$ 216,576</u>	<u>\$ 208,462</u>	<u>\$ 200,703</u>
Net book value		<u>\$ 96,618</u>		<u>\$ 7,759</u>

7. Nationally Designated

	Opening Balance	Donations & Transfers In	Transfers & Expenses	Ending Balance
Affiliate Funds	\$ 476,863	\$ 3,540,484	\$ 3,753,223	\$ 264,124
Partnerships & Other National Funds	1,396,259	658,916	142,534	1,912,641
Total Nationally Designated Funds	<u>\$ 1,873,122</u>	<u>\$ 4,199,400</u>	<u>\$ 3,895,757</u>	<u>\$ 2,176,765</u>

Habitat for Humanity Canada Habitat pour l'humanité Canada
Notes to Financial Statements

December 31, 2014

8. Internationally Designated

	Opening Balance	Donations received	Cash Transfers	Ending Balance
Total	\$ 3,706,747	\$ 4,858,765	\$ 6,103,240	\$ 2,462,272

9. Global Village

GIK airfare contributions of \$1,180,211 are not reflected in Global Village revenue as they are netted against airfare reimbursements of the same amount.

10. Programs and Services

	Designated Fund	Unrestricted Fund	2014 Total	2013 Total
International programs	\$ -	\$ 81,438	\$ 81,438	\$ 127,201
Global Village Program	-	709,626	709,626	659,290
ReStore and Product Support	-	745,121	745,121	549,082
Affiliate services	30,381	892,583	922,964	1,182,221
	\$ 30,381	\$ 2,428,768	\$ 2,459,149	\$ 2,517,794

**11. Finance and Administration, Governance, Marketing and Communications,
Government Relations**

	Designated Fund	Unrestricted Fund	2014 Total	2013 Total
Finance and administration	\$ 300	\$ 604,149	\$ 604,449	\$ 362,927
Governance	9,000	208,791	217,791	313,631
Marketing and communications	6,452	440,742	447,194	433,249
Government relations	101,902	299,548	401,450	373,049
	\$ 117,654	\$ 1,553,230	\$ 1,670,884	\$ 1,482,856

Habitat for Humanity Canada Habitat pour l'humanité Canada
Notes to Financial Statements

December 31, 2014

12. Transfers to Affiliates

	2014	2013
GIK transfers - Build Product	\$ 2,529,778	\$ 2,423,276
GIK transfers - ReStore Materials	4,386,643	4,504,776
Cash transfers	3,753,678	3,226,401
	\$10,670,099	\$ 10,154,453

13. Commitments

The organization has operating leases for its Brampton and Toronto premises expiring in April 2016 and May 2024, and operating leases for its equipment expiring in 2015 and 2019. The minimum annual lease payments under these operating leases are as follows:

Year	Amount
2015	\$ 319,566
2016	237,558
2017	201,946
2018	201,946
2019	205,832
	\$ 1,166,848

14. Material Contributed Services

As a result of partnership agreements, the organization received significant contributions from corporate sponsors which have not been reflected in the financial statements. These material donated amounts have not been included in the financial statements since the organization could not obtain independent verification of the fair market value. The contributed services are as follows:

Professional services	\$ 142,540
Transportation services	21,915
Mortgage services	225,085
Rent	89,400
	\$ 478,940

Habitat for Humanity Canada Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2014

15. Subsequent Events

On January 1, 2015, the organization opened a ReStore Western Distribution Centre.

16. Financial Instrument Risk

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments which potentially subject the organization to concentrations of credit risk consist of cash and temporary investments. The company has deposited the cash and temporary investments with a reputable financial institution, from which management believes the risk of loss to be remote. There has been no change to the organization's credit risk exposure from the prior year.

Currency Risk

Currency risk relates to the organization operating in different currencies and converting non-Canadian donations at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The organization's foreign exchange risk is related to U.S. bank account balances and donations received in U.S. dollars. There has been no change to the organization's currency risk exposure from the prior year.