



Financial Statements

Habitat for Humanity Canada/Habitat pour
l'humanité Canada

December 31, 2015



Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Changes in Fund Balances	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11



Independent Auditor's Report

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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, 2015, 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 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

The organization derives revenue from donated gifts-in-kind. In common with many charitable organizations, the completeness of this revenue is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Habitat for Humanity Canada/ Habitat pour l'humanité Canada. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenditures and assets for the years ended December 31, 2015 and 2014, and fund balances as at January 1, 2015 and 2014 and December 31, 2015 and 2014.

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, 2015, 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.

Other matter

Without modifying our opinion, we note that the comparative balances of Habitat for Humanity Canada/Habitat pour l'humanité Canada at December 31, 2014 and for the year then ended were audited by another auditor, who expressed a qualified opinion on those statements dated March 31, 2015.



Toronto, Canada
March 23, 2016

Chartered Professional Accountants
Licensed Public Accountants

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Financial Position

(In thousands of Canadian dollars)

As at December 31

	Unrestricted Fund	Designated Funds	2015	2014
Assets				
Cash (Note 3)	\$ 862	\$ 4,661	\$ 5,523	\$ 4,902
Temporary investment (Note 4)	-	523	523	517
Accounts receivable (Note 5)	1,590	220	1,810	879
Prepaid expenses	96	-	96	119
Due from Designated Funds (Note 6)	-	-	-	241
	<u>2,548</u>	<u>5,404</u>	<u>7,952</u>	<u>6,658</u>
Capital assets (Note 7)	97	-	97	97
	<u>\$ 2,645</u>	<u>\$ 5,404</u>	<u>\$ 8,049</u>	<u>\$ 6,755</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 704	\$ 222	\$ 926	\$ 836
Deferred revenue	69	-	69	-
Due to Designated Funds (Note 6)	533	(533)	-	241
	<u>1,306</u>	<u>(311)</u>	<u>995</u>	<u>1,077</u>
Fund balances				
National Designated Fund	-	2,605	2,605	2,177
International Designated Fund	-	3,110	3,110	2,462
Unrestricted Fund	1,339	-	1,339	1,039
	<u>1,339</u>	<u>5,715</u>	<u>7,054</u>	<u>5,678</u>
	<u>\$ 2,645</u>	<u>\$ 5,404</u>	<u>\$ 8,049</u>	<u>\$ 6,755</u>

Commitments (Note 10)

On behalf of the Board

_____ Director

_____ Director

See accompanying notes and schedules to the financial statements.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Changes in Fund Balances

(In thousands of Canadian dollars)

Year ended December 31

	Unrestricted Fund	National Designated Fund	International Designated Fund	2015	2014
Fund balance, beginning of year	\$ 1,039	\$ 2,177	\$ 2,462	\$ 5,678	\$ 6,563
Excess (deficiency) of revenue over expenses	932	280	164	1,376	(885)
Interfund transfers					
Internal – due to Affiliates (Note 6)	(897)	897	-	-	-
External – donor directed	265	(749)	484	-	-
	<u>(632)</u>	<u>148</u>	<u>484</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	\$ <u>1,339</u>	\$ <u>2,605</u>	\$ <u>3,110</u>	\$ <u>7,054</u>	\$ <u>5,678</u>

See accompanying notes and schedules to the financial statements.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Operations

(In thousands of Canadian dollars)

Year ended December 31

	Unrestricted Fund	National Designated Fund	International Designated Fund	2015	2014
Revenue					
Affiliation and fundraising fees	\$ 4,615	\$ -	\$ -	\$ 4,615	\$ 2,446
Donations	1,850	5,472	-	7,322	6,936
Donations (gift-in-kind)	-	9,493	-	9,493	6,916
Global Village	697	-	2,450	3,147	3,368
International programs	72	-	2,132	2,204	2,152
Other income	23	-	-	23	106
	<u>7,257</u>	<u>14,965</u>	<u>4,582</u>	<u>26,804</u>	<u>21,924</u>
Expenses					
Administration	500	-	-	500	620
Affiliate support	753	120	-	873	917
Global Village	894	-	22	916	883
Governance	279	-	-	279	218
Government relations	18	-	-	18	300
International	83	-	-	83	81
Marketing and communications	592	-	-	592	447
Resource development	2,026	-	-	2,026	1,992
ReStore and product development	1,180	-	-	1,180	751
	<u>6,325</u>	<u>120</u>	<u>22</u>	<u>6,467</u>	<u>6,209</u>
Excess of revenue over expenses before other expenses	932	14,845	4,560	20,337	15,715
Other expenses					
Transfers to international programs	-	-	4,396	4,396	5,930
Transfers to Affiliates (Note 9)	-	14,565	-	14,565	10,670
	<u>-</u>	<u>14,565</u>	<u>4,396</u>	<u>18,961</u>	<u>16,600</u>
Excess (deficiency) of revenue over expenses	<u>\$ 932</u>	<u>\$ 280</u>	<u>\$ 164</u>	<u>\$ 1,376</u>	<u>\$ (885)</u>

See accompanying notes and schedules to the financial statements.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Cash Flows

(In thousands of Canadian dollars)

Year ended December 31

	Unrestricted Fund	Designated Funds	2015	2014
Operating				
Donations received, National	\$ 1,943	\$ 5,208	\$ 7,151	\$ 6,958
Donations received, International	769	4,582	5,351	5,519
Affiliation and fundraising fees received	3,947	-	3,947	2,113
Salaries and benefits paid	(3,386)	-	(3,386)	(3,511)
Services and program expenses paid	(2,811)	(141)	(2,952)	(2,816)
Transfers paid to international programs	-	(4,396)	(4,396)	(6,097)
Transfers paid to Affiliates (Note 9)	-	(5,072)	(5,072)	(3,768)
	<u>462</u>	<u>181</u>	<u>643</u>	<u>(1,602)</u>
Investing				
Proceeds from sale of investments	-	517	517	510
Purchase of investments	-	(523)	(523)	(517)
Purchase of capital assets	(16)	-	(16)	(104)
	<u>(16)</u>	<u>(6)</u>	<u>(22)</u>	<u>(111)</u>
Financing				
Proceeds on repayment of amount due from HFHC Foundation	-	-	-	196
	<u>-</u>	<u>-</u>	<u>-</u>	<u>196</u>
Increase (decrease) in cash	446	175	621	(1,517)
Cash, beginning of year	538	4,364	4,902	6,419
Interfund transfers	(122)	122	-	-
Ending balance	<u>\$ 862</u>	<u>\$ 4,661</u>	<u>\$ 5,523</u>	<u>\$ 4,902</u>

See accompanying notes and schedules to the financial statements.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

(In thousands of Canadian dollars)

December 31, 2015

1. Nature of operations

The mission of Habitat for Humanity Canada/Habitat pour l'humanité Canada (HFHC) is to mobilize volunteers and community partners in building affordable housing and promoting home-ownership as a means to breaking the cycle of poverty. The organization was incorporated in 1985 and has continued under the Canada Not-for-profit Corporations Act. It is registered by Canada Revenue Agency as a charitable organization and is not subject to income tax.

2. Summary of significant accounting policies

Basis of accounting

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), the more significant of which are outlined below.

Fund accounting

HFHC follows the restricted fund method of accounting for contributions.

Designated Funds

The National Designated Fund reports the combined assets, liabilities, revenue and expenditures related to National activities. The designation of a contribution to a specific national designated fund has been either externally imposed by the donor or internally imposed by the organization. As at December 31, 2015, internally restricted amounts reported in the National Designated Fund totalled \$897,000 (Note 6).

The International Designated Fund reports the combined assets, liabilities, revenue and expenditures related to international program activities. The designation of a contribution to a specific international designated fund has been externally imposed by the donor.

Unrestricted Fund

The Unrestricted Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted revenues and expenditures.

Transfers between the funds occur when donors revise the nature of designations imposed on donations subsequent to the initial donations being provided to the organization, or when the Board imposes an internal restriction on unrestricted funds.

Revenue recognition

Unrestricted donations are recognized as revenue of the Unrestricted Fund in the period received.

Restricted contributions related to specific projects performed by the organization and/or its Affiliates are recorded in the Designated Funds for national or international programs, respectively, when received.

Pledges and tithes are reported on the cash basis due to uncertainty of collection.

Investment income earned on Designated Funds resources is recognized as revenue of the Unrestricted Fund when earned.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

(In thousands of Canadian dollars)

December 31, 2015

2. Summary of significant accounting policies (continued)

Affiliate fee revenue is recognized in the Unrestricted Fund when due in accordance with the governing bylaws.

Gift-in-kind donations

Donated materials (GIK) are recorded at fair value when determinable.

Capital assets

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

Computer equipment	20% straight line basis
Office equipment	20% straight line basis
Leasehold improvements	10% straight line basis

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

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 organization, 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.

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. These estimates are based on management's best efforts and knowledge of current events and actions that the organization may undertake. Actual results could differ from these estimates. Significant estimates in these financial statements include determination of fair value for gift-in-kind donations.

Financial instruments

The organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. A financial asset or liability is recognized when the organization becomes party to contractual provisions of the instrument. The organization accounts for the following as financial instruments:

- Cash
- Temporary investments
- Accounts receivable, and
- Accounts payable

The organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The organization subsequently measures all of its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

(In thousands of Canadian dollars)

December 31, 2015

2. Summary of significant accounting policies (continued)

Donated goods and services

Donated goods are recorded when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the organization's operations and would otherwise have been purchased.

A substantial number of volunteers make significant contributions of their time to the organization's programs and supporting services. The value of this contributed time is not reflected in these financial statements.

3. 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 an operating line with unused capacity of \$250 at December 31, 2015 (2014 - \$250) which bears interest at prime plus 1.0% and is secured by a general security agreement. Amounts outstanding under this operating line were \$Nil at year end (2014 - \$Nil).

4. Temporary investment

The organization holds a guaranteed investment certificate in the amount of \$523, earning interest at 1.1%, due May 1, 2016.

5. Accounts receivable

	<u>2015</u>	<u>2014</u>
Due from Affiliates	\$ 1,304	\$ 379
HST refund	143	208
Other	<u>363</u>	<u>292</u>
	<u>\$ 1,810</u>	<u>\$ 879</u>

6. Interfund balances

The organization's Designated Funds owe \$364 to the Unrestricted Fund at December 31, 2015 in relation to unrestricted cash used to fund national and international program operations. This balance has been repaid subsequent to year end.

The organization's Unrestricted Fund owes the Designated Funds \$897 at December 31, 2015 in relation to December 31, 2015 year end Unrestricted Fund excess of revenue over expenses required to be transferred to the Affiliates in accordance with the organization's funding agreement.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

(In thousands of Canadian dollars)

December 31, 2015

7. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2015</u>	<u>2014</u>
Computer equipment	\$ 68	\$ 47	\$ 21	\$ 8
Office equipment	148	120	28	35
Leasehold improvements	<u>113</u>	<u>65</u>	<u>48</u>	<u>54</u>
	<u>\$ 329</u>	<u>\$ 232</u>	<u>\$ 97</u>	<u>\$ 97</u>

8. Global Village

Gift-in-kind airfare contributions of \$981 are not reflected in Global Village revenue as they are netted against airfare reimbursements of the same amount.

9. Transfer to Affiliates

	<u>2015</u>	<u>2014</u>
GIK transfers – Build product	\$ 2,600	\$ 2,530
GIK transfers – Restore materials	6,893	4,386
Cash transfers	<u>5,072</u>	<u>3,754</u>
	<u>\$ 14,565</u>	<u>\$ 10,670</u>

10. Commitments

The organization has operating leases for its Brampton, Vancouver and Toronto premises expiring in 2016, 2017 and 2024, respectively. The organization has operating leases for its equipment expiring in 2019.

The minimum annual lease payments under these operating leases for the five years following December 31, 2015 are as follows.

Year	Amount
2016	367
2017	229
2018	206
2019	208
2020	<u>199</u>
	<u>\$ 1,209</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

(In thousands of Canadian dollars)
December 31, 2015

11. 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. The organization is exposed to credit risk in the event of non-collection of accounts receivable. Management believes that the credit risk arising from non-collection of accounts receivable balances is minimal as the amounts are due primarily from the organization's Affiliate members. The allowance for doubtful accounts included in accounts receivable at December 31, 2015 is \$Nil.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization holds cash denominated in U.S. dollars of \$766 at December 31, 2015. The carrying value of cash may change due to fluctuations in foreign exchange rates.

12. Comparative balances

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the December 31, 2015 financial statements.

13. Contingencies

The organization, from time to time, is subject to various legal proceedings and claims. Management is of the view that these will not have a material adverse effect on the organization and its results of operations.