



Financial Statements

Habitat for Humanity Canada/Habitat pour
l'humanité Canada

December 31, 2016



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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, 2016, 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, 2016 and 2015, and fund balances as at January 1, 2016 and 2015 and December 31, 2016 and 2015.

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, 2016, 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.

Grant Thornton LLP

Toronto, Canada
March 22, 2017

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 Funds			2016	2015
	National Office	National ReStore	Designated Funds		
Assets					
Cash (Note 3)	\$ 950	\$ 300	\$ 4,951	\$ 6,201	\$ 5,523
Temporary investment (Note 4)	-	-	528	528	523
Accounts receivable (Note 5)	2,253	1	411	2,665	1,810
Prepaid expenses	105	25	-	130	96
	<u>3,308</u>	<u>326</u>	<u>5,890</u>	<u>9,524</u>	<u>7,952</u>
Capital assets (Note 6)	127	67	70	264	97
	<u>\$ 3,435</u>	<u>\$ 393</u>	<u>\$ 5,960</u>	<u>\$ 9,788</u>	<u>\$ 8,049</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 928	\$ -	\$ 629	\$ 1,557	\$ 926
Deferred revenue	-	-	-	-	69
Due to (from) Funds (Note 7)	868	435	(1,303)	-	-
	<u>1,796</u>	<u>435</u>	<u>(674)</u>	<u>1,557</u>	<u>995</u>
Fund balances					
Affiliate Designated Fund	-	-	4,064	4,064	2,605
International Designated Fund	-	-	2,570	2,570	3,110
Unrestricted Funds	1,639	(42)	-	1,597	1,339
	<u>1,639</u>	<u>(42)</u>	<u>6,634</u>	<u>8,231</u>	<u>7,054</u>
	<u>\$ 3,435</u>	<u>\$ 393</u>	<u>\$ 5,960</u>	<u>\$ 9,788</u>	<u>\$ 8,049</u>

Commitments (Note 10)

On behalf of the Board

_____ Director _____ Director

See accompanying notes 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

	<u>Unrestricted Funds</u>		<u>Designated Funds</u>		<u>2016</u>	<u>2015</u>
	<u>National Office</u>	<u>National ReStore</u>	<u>Affiliate</u>	<u>International</u>		
Fund balance, beginning of year	\$ 1,339	\$ -	\$ 2,605	\$ 3,110	\$ 7,054	\$ 5,678
Excess (deficiency) of revenue over expenses	647	(42)	1,112	(540)	1,177	1,376
Interfund transfers						
Internal – due to Affiliates	<u>(347)</u>	<u>-</u>	<u>347</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	\$ <u>1,639</u>	\$ <u>(42)</u>	\$ <u>4,064</u>	\$ <u>2,570</u>	\$ <u>8,231</u>	\$ <u>7,054</u>

See accompanying notes 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 Funds		Designated Funds		2016	2015
	National Office	National ReStore	Affiliate	International		
Revenue						
Affiliation and fundraising fees	\$ 6,695	\$ -	\$ -	\$ -	\$ 6,695	\$ 4,615
Donations	146	-	7,956	312	8,414	7,322
Donations (gift-in-kind)	-	-	9,307	-	9,307	9,493
Global Village	769	-	-	1,996	2,765	3,147
International programs	61	-	-	1,941	2,002	2,204
Other income	19	-	405	-	424	23
	<u>7,690</u>	<u>-</u>	<u>17,668</u>	<u>4,249</u>	<u>29,607</u>	<u>26,804</u>
Expenses						
Administration	614	42	-	-	656	500
Affiliate support	1,018	-	-	-	1,018	873
Global Village (Note 8)	803	-	-	-	803	916
Governance	200	-	-	-	200	279
Government relations	67	-	-	-	67	18
International	-	-	-	-	-	83
Marketing and communications	990	-	-	-	990	592
Resource development	2,114	-	-	-	2,114	2,026
ReStore and product development	1,237	-	-	-	1,237	1,180
	<u>7,043</u>	<u>42</u>	<u>-</u>	<u>-</u>	<u>7,085</u>	<u>6,467</u>
Excess (deficiency) of revenue over expenses before other expenses	647	(42)	17,668	4,249	22,522	20,337
Other expenses						
Transfers – other	-	-	-	(28)	(28)	-
Transfers to international programs	-	-	-	4,817	4,817	4,396
Transfers to Affiliates (Note 9)	-	-	16,556	-	16,556	14,565
	<u>-</u>	<u>-</u>	<u>16,556</u>	<u>4,789</u>	<u>21,345</u>	<u>18,961</u>
Excess (deficiency) of revenue over expenses	\$ <u>647</u>	\$ <u>(42)</u>	\$ <u>1,112</u>	\$ <u>(540)</u>	\$ <u>1,177</u>	\$ <u>1,376</u>

See accompanying notes 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 Funds	Designated Funds	2016	2015
Operating				
Donations received, National	\$ 146	\$ 7,807	\$ 7,953	\$ 7,151
Donations received, International	830	4,248	5,078	5,351
Affiliation and fundraising fees received	5,935	405	6,340	3,947
Salaries and benefits paid	(3,507)	-	(3,507)	(3,386)
Services and program expenses paid	(2,960)	(132)	(3,092)	(2,952)
Transfers paid to international programs	-	(4,817)	(4,817)	(4,396)
Transfers paid to Affiliates (Note 9)	-	(7,156)	(7,156)	(5,072)
	<u>444</u>	<u>355</u>	<u>799</u>	<u>643</u>
Investing				
Proceeds from sale of temporary investments	-	523	523	517
Purchase of temporary investments	-	(528)	(528)	(523)
Purchase of capital assets	(116)	-	(116)	(16)
	<u>(116)</u>	<u>(5)</u>	<u>(121)</u>	<u>(22)</u>
Increase in cash	328	350	678	621
Cash, beginning of year	862	4,661	5,523	4,902
Interfund transfers	<u>60</u>	<u>(60)</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 1,250</u>	<u>\$ 4,951</u>	<u>\$ 6,201</u>	<u>\$ 5,523</u>

See accompanying notes to the financial statements.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

(In thousands of Canadian dollars)
December 31, 2016

1. Nature of operations

Habitat for Humanity Canada/Habitat pour l'humanité Canada (the organization) brings communities together to help families build strength, stability and independence through affordable home ownership. 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 Affiliate Designated fund reports the combined assets, liabilities, revenue and expenditures related to National support to Affiliate members. The designation of a contribution to a specific Affiliate designated fund has been either externally imposed by the donor or required by the organization's bylaws.

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 Funds

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

The National ReStore fund reports the assets, liabilities, revenue and expenditures related to National ReStore activities. The National ReStore fund was created during the year ended December 31, 2016 and received initial funding from the National Office fund by way of Board-approved interfund transfer. The National ReStore began operations in January 2017.

Interfund transfers

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.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

(In thousands of Canadian dollars)
December 31, 2016

2. Summary of significant accounting policies (continued)

Revenue recognition

Unrestricted donations are recognized as revenue of the Affiliate Fund in the period received, as required by the organization's bylaws.

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 a cash basis due to uncertainty of collection.

Investment income earned on Designated Funds resources is recognized as revenue of the National Office fund when earned.

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.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

(In thousands of Canadian dollars)
December 31, 2016

2. Summary of significant accounting policies (continued)

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.

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, 2016 (2015 - \$250) which bears interest at prime plus 1.0% per annum, and is secured by a general security agreement. Amounts outstanding under this operating line were \$Nil at year end (2015 - \$Nil).

4. Temporary investment

The organization holds a guaranteed investment certificate in the amount of \$528 (2015 - \$523), earning interest at 1.05%, due May 1, 2017.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

(In thousands of Canadian dollars)
December 31, 2016

5. Accounts receivable

	2016	2015
Due from Affiliates	\$ 2,005	\$ 1,304
HST refund	198	143
Other	462	363
	\$ 2,665	\$ 1,810

6. Capital assets

	Cost	Accumulated Amortization	2016	2015
Land	\$ 70	\$ -	\$ 70	\$ -
Computer equipment	89	(52)	37	21
Office equipment	186	(128)	58	28
Leasehold improvements	170	(71)	99	48
	\$ 515	\$ (251)	\$ 264	\$ 97

7. Interfund balances

The organization's Unrestricted Funds owe the Designated Funds \$1,303 at December 31, 2016 (2015 - \$897) in relation to designated donations deposited into the unrestricted fund account at the end of the year. This balance was repaid to the Designated Funds subsequent to year-end.

The National ReStore owes the National Office fund \$435, which is comprised of a membership approved advance of \$300 to operate the National ReStore and \$145 which was a temporary advance to cover operating expenses incurred during the start-up phase while full banking facilities were being created. The \$145 was repaid subsequent to year-end.

8. Global Village

Gift-in-kind airfare contributions of \$769 (2015 - \$981) are not reflected in Global Village revenue as they are netted against airfare reimbursements of the same amount.

9. Transfers to Affiliates

	2016	2015
GIK transfers – Build product	\$ 3,167	\$ 2,600
GIK transfers – Restore materials	6,140	6,893
Cash transfers	7,249	5,072
	\$ 16,556	\$ 14,565

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

(In thousands of Canadian dollars)
December 31, 2016

10. Commitments

The organization has operating leases for its Brampton, Vancouver, Toronto and National ReStore premises. 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, 2016 are as follows.

Year	Amount
2017	516
2018	518
2019	444
2020	396
2021	<u>413</u>
	\$ <u>2,287</u>

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, 2016 is \$Nil (2015 - \$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 \$519 at December 31, 2016 (2015 - \$776). The carrying value of cash may change due to fluctuations in foreign exchange rates.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting its obligations. The organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

12. 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.