



Financial Statements

Habitat for Humanity Canada/Habitat pour
l'humanité Canada

December 31, 2017



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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, 2017, 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, 2017 and 2016, and fund balances as at January 1, 2017 and 2016 and December 31, 2017 and 2016.

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, 2017, 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.



Toronto, Canada
March 28, 2018

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			2017	2016
	National Office	National ReStore	Designated Funds		
Assets					
Cash (Note 3)	\$ 147	\$ 307	\$ 5,157	\$ 5,611	\$ 6,201
Temporary investment (Note 4)	-	-	533	533	528
Accounts receivable (Note 5)	1,628	57	472	2,157	2,665
Prepaid expenses	110	2	-	112	130
	1,885	366	6,162	8,413	9,524
Capital assets (Note 6)	184	132	71	387	264
	\$ 2,069	\$ 498	\$ 6,233	\$ 8,800	\$ 9,788
Liabilities					
Accounts payable and accrued liabilities	\$ 567	\$ 25	\$ 900	\$ 1,492	\$ 1,557
Deferred revenue	15	-	-	15	-
Due to (from) Funds (Note 7)	(6)	302	(296)	-	-
	576	327	604	1,507	1,557
Fund balances					
Affiliate Designated Fund	-	-	2,826	2,826	4,064
International Designated Fund	-	-	2,803	2,803	2,570
Unrestricted Funds	1,493	171	-	1,664	1,597
	1,493	171	5,629	7,293	8,231
	\$ 2,069	\$ 498	\$ 6,233	\$ 8,800	\$ 9,788

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>2017</u>	<u>2016</u>
	<u>National Office</u>	<u>National ReStore</u>	<u>Affiliate</u>	<u>International</u>		
Fund balances, beginning of year	\$ 1,639	\$ (42)	\$ 4,064	\$ 2,570	\$ 8,231	\$ 7,054
Excess (deficiency) of revenue over expenses	<u>(146)</u>	<u>213</u>	<u>(1,238)</u>	<u>233</u>	<u>(938)</u>	<u>1,177</u>
Fund balances, end of year	\$ <u>1,493</u>	\$ <u>171</u>	\$ <u>2,826</u>	\$ <u>2,803</u>	\$ <u>7,293</u>	\$ <u>8,231</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		2017	2016
	National Office	National ReStore	Affiliate	International		
Revenue						
Affiliation and fundraising fees	\$ 5,010	\$ -	\$ -	\$ -	\$ 5,010	\$ 5,492
Donations	1,673	1	6,950	314	8,938	8,414
Donations (gift-in-kind)	-	-	9,214	938	10,152	10,076
Global Village	880	-	-	2,073	2,953	2,765
International programs	104	-	-	1,636	1,740	2,002
Other income	141	-	157	-	298	424
ReStore sales	-	985	-	-	985	-
	<u>7,808</u>	<u>986</u>	<u>16,321</u>	<u>4,961</u>	<u>30,076</u>	<u>29,173</u>
Expenses						
Administration	656	483	-	-	1,139	656
Affiliate support and governance	1,038	-	-	-	1,038	1,018
Global Village	740	-	-	938	1,678	1,572
Governance	215	7	-	-	222	200
Government relations	164	-	-	-	164	67
Marketing and communications	878	11	-	-	889	990
Philanthropy	2,610	-	-	-	2,610	2,114
ReStore and product development	1,106	109	-	-	1,215	1,237
Technology upgrade	32	-	-	-	32	-
	<u>7,439</u>	<u>610</u>	<u>-</u>	<u>938</u>	<u>8,987</u>	<u>7,854</u>
Excess of revenue over expenses before other expenses	369	376	16,321	4,023	21,089	21,319
Other expenses	-	-	380	-	380	-
Carter Work Project event expenses	365	-	-	-	365	-
Transfers interfund	-	-	-	-	-	(28)
Transfers to international programs	-	-	-	3,790	3,790	4,817
Transfers to Affiliates (Note 8)	150	163	17,179	-	17,492	15,353
	<u>515</u>	<u>163</u>	<u>17,559</u>	<u>3,790</u>	<u>22,027</u>	<u>20,142</u>
Excess (deficiency) of revenue over expenses	\$ <u>(146)</u>	\$ <u>213</u>	\$ <u>(1,238)</u>	\$ <u>233</u>	\$ <u>(938)</u>	\$ <u>1,177</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	2017	2016
Operating				
Donations received, National	\$ 1,673	\$ 6,890	\$ 8,565	\$ 7,953
Donations received, International	984	4,023	5,007	5,078
Affiliation and fundraising fees received	5,736	157	5,893	6,340
ReStore sales	985	-	985	-
Salaries and benefits paid	(4,350)	-	(4,350)	(3,507)
Services and program expenses paid	(4,967)	517	(4,450)	(3,092)
Transfers paid to international programs	-	(3,789)	(3,789)	(4,817)
Transfers paid to Affiliates (Note 8)	(313)	(7,965)	(8,278)	(7,156)
	<u>(252)</u>	<u>(167)</u>	<u>(419)</u>	<u>799</u>
Investing				
Proceeds from sale of temporary investments	-	528	528	523
Purchase of temporary investments	-	(533)	(533)	(528)
Purchase of capital assets	(166)	-	(166)	(116)
	<u>(166)</u>	<u>(5)</u>	<u>(171)</u>	<u>(121)</u>
Increase in cash	(418)	(172)	(590)	678
Cash, beginning of year	1,250	4,951	6,201	5,523
Interfund transfers	(378)	378	-	-
Ending balance	<u>\$ 454</u>	<u>\$ 5,157</u>	<u>\$ 5,611</u>	<u>\$ 6,201</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, 2017

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

The organization 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 Habitat for Humanity Affiliate members. The designation of a contribution to the 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 the 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.

Interfund transfers

Transfers between the funds occur 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, 2017

2. Summary of significant accounting policies (continued)

Revenue recognition

Based on the bylaws of the organization, Habitat for Humanity Canada is required to transfer all donations received, other than donations restricted for International activities, to its Affiliates. As such, these donations are restricted. Accordingly, such donations have been recognized as revenue of the Affiliate designated fund. The organization has a policy of allocating 20% of these funds annually to support administrative and development activities.

Restricted contributions related to specific projects performed by the organization and/or its Affiliates are recorded in the Designated funds for Affiliate 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 organization's governing bylaws.

The National ReStore sells donated new and used materials to the general public. National ReStore revenue is recognized upon delivery of goods to the customer and collection of customer payment.

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.

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
Vehicles	30% straight line basis
Leasehold improvements	Over the term of the lease

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 capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with capital assets owned by the organization, and the obligation, including interest thereon, is discharged over the term of the lease. All other leases are accounted for as operating leases, and the lease costs are expensed as incurred.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

(In thousands of Canadian dollars)
December 31, 2017

2. Summary of significant accounting policies (continued)

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 and estimated useful lives of capital assets.

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 investment;
- 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.

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 a revolving line of credit with unused capacity of \$250 at December 31, 2017 (2016 - \$250). The facility bears interest at prime plus 1.0% per annum, is secured by a general security agreement, and was not drawn upon during the year.

4. Temporary investment

The organization holds a guaranteed investment certificate in the amount of \$533 (2016 - \$528), earning interest at 0.95%, maturing May 2, 2018.

5. Accounts receivable

	<u>2017</u>	<u>2016</u>
Due from Affiliates	\$ 1,274	\$ 2,005
HST refund	345	198
Other	<u>538</u>	<u>462</u>
	<u>\$ 2,157</u>	<u>\$ 2,665</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

(In thousands of Canadian dollars)
December 31, 2017

6. Capital assets

	Cost	Accumulated Amortization	2017	2016
Land	\$ 70	\$ -	\$ 70	\$ 70
Computer equipment	125	62	63	37
Office equipment	239	146	93	58
Vehicles	11	2	9	-
Leasehold improvements	237	85	152	99
	<u>\$ 682</u>	<u>\$ (295)</u>	<u>\$ 387</u>	<u>\$ 264</u>

Amortization expense of \$44 (2016 - \$17) has been charged through the statement of operations.

7. Interfund balances

The organization's Unrestricted funds owe the Designated funds \$296 at December 31, 2017 (2016 - \$1,303) in relation to designated donations deposited into the Unrestricted funds as at year end. This balance was repaid to the Designated funds subsequent to year-end.

The National ReStore owes the National Office fund \$302, which is comprised of a membership approved advance of \$302 to operate the National ReStore.

8. Transfers to Affiliates

	2017	2016
GIK transfers – Build product	\$ 3,683	\$ 3,167
GIK transfers – ReStore materials	5,532	6,140
Cash transfers	<u>8,277</u>	<u>6,046</u>
	<u>\$ 17,492</u>	<u>\$ 15,353</u>

9. National ReStore

The National ReStore 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 is based in Kingston, Ontario and began operations in January 2017.

There is an agreement between the organization and an affiliate whereby the affiliate has the right to purchase the National ReStore in January 2020 for the lesser of \$250 or 60% of the previous year's net profit.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

(In thousands of Canadian dollars)

December 31, 2017

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, 2017 are as follows.

Year	Amount
2018	\$ 550
2019	444
2020	396
2021	413
2022 and thereafter	<u>1,039</u>
	<u>\$ 2,842</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, 2017 is \$Nil (2016 - \$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 \$980 at December 31, 2017 (2016 - \$519). 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.

13. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.