



Financial Statements

Habitat for Humanity Canada/Habitat pour l'humanité
Canada

December 31, 2018



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Independent auditor's report

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

Qualified Opinion

We have audited the accompanying financial statements of Habitat for Humanity Canada/ Habitat pour l'humanité Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2018, the statements of changes in fund balances, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying 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, 2018, 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.

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 expenses and assets for the years ended December 31, 2018 and 2017, and fund balances as at January 1, 2018 and 2017 and December 31, 2018 and 2017.

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 report. We are independent of the Organization 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance 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.

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

Those charged with governance are responsible for overseeing the Organization'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 these 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 Organization's internal control.
- 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 Organization'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 Organization 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.

We 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.

Grant Thornton LLP

Toronto, Canada
March 20, 2019

Chartered Professional Accountants
Licensed Public Accountants

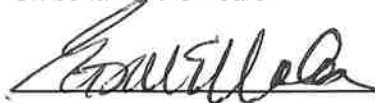
Habitat for Humanity Canada/ Habitat pour l'humanité Canada
Statement of Financial Position

December 31	2018	2017
		(Restated – Note 2(a))
Assets		
Current		
Cash (Note 3)	\$ 5,220,614	\$ 5,610,591
Temporary investment (Note 4)	537,403	533,173
Accounts receivable (Note 5)	1,818,425	2,158,016
Prepaid expenses	<u>437,359</u>	<u>111,661</u>
	8,013,801	8,413,441
Capital assets (Note 6)	<u>399,778</u>	<u>386,805</u>
	<u>\$ 8,413,579</u>	<u>\$ 8,800,246</u>

Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 2,607,046	\$ 1,491,646
Deferred contributions (Note 7)	<u>4,107,790</u>	<u>5,644,480</u>
	<u>6,714,836</u>	<u>7,136,126</u>
Fund balances		
National Office	1,458,743	1,493,267
National ReStore	<u>240,000</u>	<u>170,853</u>
	<u>1,698,743</u>	<u>1,664,120</u>
	<u>\$ 8,413,579</u>	<u>\$ 8,800,246</u>

Commitments (Note 9)

On behalf of the Board

 Director
 Chair

 Director
 BOARD SECRETARY

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Operations

Year ended December 31

2018

2017

		(Restated – Note 2(a))
Revenue		
Affiliation fees	\$ 5,064,999	\$ 5,010,322
Fundraising revenue		
Donations	8,090,085	10,206,953
Build gift-in-kind	2,262,394	3,682,838
International program revenue		
Global Village and gift-in-kind airfare	3,504,294	3,943,723
International programs	1,105,636	1,740,360
ReStore gift-in-kind	5,486,319	5,531,541
Social enterprise – National ReStore sales	1,059,850	985,079
Other income	118,304	297,762
Total revenue	<u>26,691,881</u>	<u>31,398,578</u>
Expenses		
Program expenses		
Affiliate support and governance	848,266	1,030,227
ReStore and product development	1,081,130	1,107,360
Global village and international programs	1,679,940	1,855,000
Government relations and indigenous housing	372,739	374,790
Marketing and communications	1,310,292	1,243,031
Program funds and gift-in-kind distribution		
International programs	3,222,990	4,075,945
Affiliates	13,905,306	17,360,059
Total program expenses	<u>22,420,663</u>	<u>27,046,412</u>
Social enterprise – National ReStore expenses		
ReStore expenses	660,517	609,422
Distribution to affiliate	330,186	163,204
Total social enterprise expenses	<u>990,703</u>	<u>772,626</u>
Non-program expenses		
Administration	725,883	687,489
Governance	182,038	214,583
Fundraising	2,337,971	2,610,358
Total non-program expenses	<u>3,245,892</u>	<u>3,512,430</u>
Total expenses	<u>26,657,258</u>	<u>31,331,468</u>
Excess of revenue over expenses	<u>\$ 34,623</u>	<u>\$ 67,110</u>

See accompanying notes to the financial statements.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Changes in Fund Balances

Year ended December 31

	Unrestricted Funds		Designated Funds		
	National Office	National ReStore	Affiliate	International	2018
Balance, beginning of year, as restated	\$ 1,493,267	\$ 170,853	\$ -	\$ -	\$ 1,664,120
Excess (deficiency) of revenue over expenses	(34,524)	69,147	-	-	34,623
Balance, end of year	<u>\$ 1,458,743</u>	<u>\$ 240,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,698,743</u>

	Unrestricted Funds		Designated Funds		
	National Office	National ReStore	Affiliate	International	2017
Balance, beginning of year, as previously stated	\$ 1,638,610	\$ (41,600)	\$ 4,064,549	\$ 2,569,843	\$ 8,231,402
Accounting policy change (Note 2(a))	-	-	(4,064,549)	(2,569,843)	(6,634,392)
Balance, beginning of year, as restated	1,638,610	(41,600)	-	-	1,597,010
Excess (deficiency) of revenue over expenses	(145,343)	212,453	-	-	67,110
Balance, end of year, as restated	<u>\$ 1,493,267</u>	<u>\$ 170,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,664,120</u>

See accompanying notes to the financial statements.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Cash Flows

Year ended December 31	2018	2017
		(Restated - Note 2(a))
Operating		
Excess of revenue over expenses	\$ 34,623	\$ 67,110
Amortization of capital assets	<u>65,411</u>	<u>43,964</u>
	100,034	111,074
Change in non-cash working capital items		
Accounts receivable	339,591	507,801
Prepaid expenses	(325,698)	17,856
Accounts payable and accrued liabilities	1,115,400	(67,094)
Deferred contributions	<u>(1,536,690)</u>	<u>(989,912)</u>
	(407,397)	(531,349)
Investing		
Purchase of capital assets	(78,384)	(165,747)
Net change in temporary investment	<u>(4,230)</u>	<u>(4,780)</u>
	(82,614)	(170,527)
Decrease in cash	(389,977)	(590,802)
Cash		
Beginning of year	<u>5,610,591</u>	<u>6,201,393</u>
End of year	<u>\$ 5,220,614</u>	<u>\$ 5,610,591</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2018

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.

a) Change in accounting policy

The Organization has changed its accounting policy for accounting for restricted contributions from the restricted fund method to the deferral method. In the opinion of management, the deferral method more clearly identifies the revenue for the year and contribution liabilities for future Affiliate and program expenditures. The application of the new policy has been made in these financial statements, with retroactive restatement of prior years.

As a result of the restatement, the following financial statement items as at December 31, 2017 have been increased (decreased) by the following amounts:

<u>December 31, 2017</u>	<u>Previously Reported</u>	<u>Adjustments</u>	<u>Revised</u>
Statement of Financial Position			
Deferred contributions	\$ 15,000	\$ 5,629,480	\$ 5,644,480
Designated fund balances	5,629,480	(5,629,480)	-
Statement of Operations			
Revenue	\$ 30,076,577	\$ 1,322,001	\$ 31,398,578
Expenses	(31,014,379)	(317,089)	(31,331,468)
(Deficiency) excess of revenue over expenses	(937,802)	1,004,912	67,110
Statement of Changes in Fund Balances			
Designated fund balances, beginning of year	\$ 6,634,392	\$ (6,634,392)	\$ -
Total fund balances, beginning of year	8,231,402	(6,634,392)	1,597,010
Statement of Cash Flows			
Deficiency (excess) of revenue over expenses	\$ (937,802)	\$ 1,004,912	\$ 67,110
Changes in non-cash working capital items - Deferred contributions	15,000	(1,004,912)	(989,912)

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2018

2. Summary of significant accounting policies (continued)

b) Fund balances

The National Office Fund accounts for the Organization's program delivery and administrative activities.

The National ReStore Fund reports the assets, liabilities, revenue and expenditures related to National ReStore activities.

c) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized in revenue in the year in which the related expenses are incurred. Based on the bylaws of the Organization, Habitat for Humanity Canada is required to transfer all contributions received, other than contributions restricted for International activities, to its Affiliates. As such, these contributions are restricted. The Organization has a policy of allocating 20% of these contributions to support administrative and development activities.

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

Affiliate fee revenue is recognized when received or receivable and collection is reasonably assured.

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.

d) Donated goods and services

Donated goods are recorded when 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.

e) 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.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2018

2. Summary of significant accounting policies (continued)

f) 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.

g) 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.

h) 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
- 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.

i) Allocation of support expenses

Salaries and benefits expenses are allocated to various activities based on the time and efforts dedicated by staff to support those activities. Facilities expenses are allocated to various activities based on the space usage of each activity (Note 10).

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 \$250,000 at December 31, 2018 (2017 - \$250,000). 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.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2018

4. Temporary investment

The Organization holds a guaranteed investment certificate in the amount of \$537,403 (2017 - \$533,173), earning interest at 0.60%, maturing May 2, 2019.

5. Accounts receivable

	<u>2018</u>	<u>2017</u>
Due from Affiliates	\$ 1,148,564	\$ 1,274,722
HST refund	304,637	314,443
Other	<u>365,224</u>	<u>568,851</u>
	<u>\$ 1,818,425</u>	<u>\$ 2,158,016</u>

6. Capital assets

	<u>2018</u>	<u>2017</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 70,400	\$ -	\$ 70,400	\$ 70,400
Computer equipment	144,618	76,877	67,741	61,029
Office equipment	252,818	167,252	85,566	92,969
Vehicles	52,352	15,841	36,511	9,636
Leasehold improvements	<u>239,555</u>	<u>99,995</u>	<u>139,560</u>	<u>152,771</u>
	<u>\$ 759,743</u>	<u>\$ 359,965</u>	<u>\$ 399,778</u>	<u>\$ 386,805</u>

7. Deferred revenue

Deferred revenue represents externally restricted contributions for Affiliates and international programs not yet disbursed as of year end.

	<u>2018</u>	<u>2017</u>
Balance, beginning of year, as restated	\$ 5,644,480	\$ 6,634,392
Contributions received during the year		(Restated – Note 2(a))
Affiliates	7,067,966	8,430,693
International programs	2,453,301	4,023,221
Less: disbursements made during the year		
Affiliate	(7,792,631)	(9,654,227)
International programs	<u>(3,265,326)</u>	<u>(3,789,599)</u>
Balance, end of year	<u>\$ 4,107,790</u>	<u>\$ 5,644,480</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2018

8. 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 \$250,000 or 60% of the National ReStore's previous year's net profit.

9. Commitments

The Organization has operating leases for its Brampton, Toronto and National ReStore premises. The Organization also has operating leases for its equipment.

The minimum annual lease payments under these operating leases for the five years following December 31, 2018 are as follows:

2019	\$ 452,753
2020	419,263
2021	421,610
2022	433,350
2023 and thereafter	<u>988,791</u>
	<u>\$ 2,715,767</u>

10. Allocation of support expenses

During the year ended December 31, 2018, common expenses consisting of salaries, benefits, facilities and information technology were allocated to various program areas as follows:

	Salaries and Benefits	Facilities and IT	<u>2018</u>	<u>2017</u>
Affiliate services	\$ -	\$ 39,503	\$ 39,503	\$ 380,057
ReStore and product development	65,327	226,081	291,408	147,067
Global village and international programs	73,088	127,655	200,743	253,649
Government relations and indigenous housing program	72,451	21,385	93,836	213,306
Marketing and communications	65,327	77,579	142,906	82,211
Administration	218,564	141,126	359,690	76,487
Fundraising	99,114	183,528	282,642	472,340
Social enterprise – National ReStore	<u>18,323</u>	<u>239,283</u>	<u>257,606</u>	<u>234,513</u>
	<u>\$ 612,194</u>	<u>\$ 1,056,140</u>	<u>\$ 1,668,334</u>	<u>\$ 1,859,630</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2018

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, 2018 is \$Nil (2017 - \$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 \$Nil at December 31, 2018 (2017 - \$980,000). 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.