



Financial Statements

Habitat for Humanity Canada/

Habitat pour l'humanité Canada

December 31, 2019



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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

## 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, 2019, the statements of operations, changes in fund balances, 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 the Organization as at December 31, 2019, 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 the Organization. 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, 2019 and 2018, and fund balances as at January 1, 2018 and 2017 and December 31, 2019 and 2018.

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  
April 15, 2020

Chartered Professional Accountants  
Licensed Public Accountants

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# Habitat for Humanity Canada/ Habitat pour l'humanité Canada

## Statement of Financial Position

December 31

2019

2018

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### Assets

#### Current

Cash (Note 3)	\$ 3,046,822	\$ 5,220,614
Temporary investment (Note 4)	2,502,837	537,403
Accounts receivable (Note 5)	2,466,720	1,818,425
Prepaid expenses	<u>172,138</u>	<u>437,359</u>

8,188,517 8,013,801

#### Capital assets (Note 6)

178,413 399,778

**\$ 8,366,930** **\$ 8,413,579**

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### Liabilities

#### Current

Accounts payable and accrued liabilities	\$ 2,819,529	\$ 2,607,046
Deferred contributions (Note 7)	<u>3,917,933</u>	<u>4,107,790</u>

6,737,462 6,714,836

#### Fund balances (unrestricted)

National Office	1,629,468	1,458,743
National ReStore (Note 8)	<u>-</u>	<u>240,000</u>

1,629,468 1,698,743

**\$ 8,366,930** **\$ 8,413,579**

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Commitments (Note 9)

On behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# Habitat for Humanity Canada/ Habitat pour l'humanité Canada

## Statement of Operations

Year ended December 31

2019

2018

Revenue		
Affiliation fees	\$ 5,655,595	\$ 5,064,999
Fundraising revenue		
Donations	8,133,045	8,090,085
Build gift-in-kind	2,059,500	2,262,394
International program revenue		
Global Village and gift-in-kind airfare	3,262,078	3,504,294
International programs	427,862	1,105,636
ReStore gift-in-kind	6,795,383	5,486,319
Other income	<u>262,529</u>	<u>118,304</u>
Total revenue	<u>26,595,992</u>	<u>25,632,031</u>
Expenses		
Program expenses		
Affiliate support and governance	1,012,686	848,266
ReStore and product development	1,019,852	1,081,130
Global Village and international programs	1,630,204	1,679,940
Government relations and indigenous housing program	236,736	372,739
Marketing and communications	1,443,935	1,310,292
Program funds and gift-in-kind distribution		
International programs	2,795,814	3,222,990
Affiliates	<u>14,798,015</u>	<u>13,905,306</u>
Total program expenses	<u>22,937,242</u>	<u>22,420,663</u>
Non-program expenses		
Administration	1,244,190	725,883
Governance	89,647	182,038
Fundraising	<u>2,477,040</u>	<u>2,337,971</u>
Total non-program expenses	<u>3,810,877</u>	<u>3,245,892</u>
Total expenses	<u>26,748,119</u>	<u>25,666,555</u>
(Deficiency) excess of revenue over expenses before discontinued operations	(152,127)	(34,524)
Discontinued operations (Note 8)	<u>82,852</u>	<u>69,147</u>
(Deficiency) excess of revenue over expenses	<u>\$ (69,275)</u>	<u>\$ 34,623</u>

See accompanying notes to the financial statements.

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## Habitat for Humanity Canada/ Habitat pour l'humanité Canada

### Statement of Changes in Fund Balances

Year ended December 31

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	<u>National Office</u>	<u>National ReStore</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 1,458,743	\$ 240,000	<b>\$ 1,698,743</b>	\$ 1,664,120
(Deficiency) excess of revenue over expenses	(152,127)	82,852	<b>(69,275)</b>	34,623
Interfund transfers (Note 8)	<u>322,852</u>	<u>(322,852)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<b><u>\$ 1,629,468</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,629,468</u></b>	<b><u>\$ 1,698,743</u></b>

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# Habitat for Humanity Canada/ Habitat pour l'humanité Canada

## Statement of Cash Flows

Year ended December 31	2019	2018
<b>Operating</b>		
(Deficiency) excess of revenue over expenses	\$ (69,275)	\$ 34,623
Amortization of capital assets	58,847	65,411
Loss on disposal of capital assets	<u>194,688</u>	<u>-</u>
	<b>184,260</b>	100,034
<b>Change in non-cash working capital items</b>		
Accounts receivable	(648,295)	339,591
Prepaid expenses	265,221	(325,698)
Accounts payable and accrued liabilities	212,483	1,115,400
Deferred contributions	<u>(189,857)</u>	<u>(1,536,690)</u>
	<b>(176,188)</b>	(307,363)
<b>Investing</b>		
Net change in temporary investment	(1,965,434)	(4,230)
Purchase of capital assets	<u>(32,170)</u>	<u>(78,384)</u>
	<b>(1,997,604)</b>	(82,614)
Decrease in cash	<b>(2,173,792)</b>	(389,977)
<b>Cash</b>		
Beginning of year	<u>5,220,614</u>	<u>5,610,591</u>
End of year	<b><u>\$ 3,046,822</u></b>	<b><u>\$ 5,220,614</u></b>



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# Habitat for Humanity Canada/ Habitat pour l'humanité Canada

## Notes to Financial Statements

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December 31, 2019

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### 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.

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### 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) Fund balances (unrestricted)

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.

#### b) 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 and the restriction is fulfilled. 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 the 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.

#### c) 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.

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# Habitat for Humanity Canada/ Habitat pour l'humanité Canada

## Notes to Financial Statements

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December 31, 2019

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### 2. Summary of significant accounting policies (continued)

#### 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.

#### 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, allowance for doubtful accounts, 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.

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# Habitat for Humanity Canada/ Habitat pour l'humanité Canada

## Notes to Financial Statements

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December 31, 2019

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### 2. Summary of significant accounting policies (continued)

#### 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).

#### j) Disposal of long-lived assets and discontinued operations

Long-lived assets of the Organization to be disposed of other than by sale, such as abandonment or exchange, are classified as held and used until the disposal transaction occurs. A discontinued operation represents a separate major line of operations of the Organization, when those operations and cash flows will be eliminated from the ongoing operations of the Organization as a result of disposal, after which the Organization will not have significant continuing involvement in the operations.

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### 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, 2019 (2018 - \$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.

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### 4. Temporary investment

The Organization holds a guaranteed investment certificate in the amount of \$2,502,837 (2018 - \$537,403), earning interest at 1.80%, maturing December 10, 2020.

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### 5. Accounts receivable

	<u>2019</u>	<u>2018</u>
Due from Affiliates	\$ 1,650,157	\$ 1,148,564
HST refund	318,712	304,637
Other	<u>497,851</u>	<u>365,224</u>
	<u>\$ 2,466,720</u>	<u>\$ 1,818,425</u>

# Habitat for Humanity Canada/ Habitat pour l'humanité Canada

## Notes to Financial Statements

December 31, 2019

### 6. Capital assets

			<u>2019</u>	<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ -	\$ -	\$ -	\$ 70,400
Computer equipment	156,505	(90,405)	<b>66,100</b>	67,741
Office equipment	219,042	(167,906)	<b>51,136</b>	85,566
Vehicles	22,342	(5,312)	<b>17,030</b>	36,511
Leasehold improvements	<u>130,050</u>	<u>(85,903)</u>	<u><b>44,147</b></u>	<u>139,560</u>
	<u>\$ 527,939</u>	<u>\$ (349,526)</u>	<u>\$ 178,413</u>	<u>\$ 399,778</u>

### 7. Deferred revenue

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

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	<b>\$ 4,107,790</b>	\$ 5,644,480
Contributions received during the year		
Affiliates	<b>7,516,685</b>	7,067,966
International programs	<b>2,449,651</b>	2,453,301
Less: disbursements made during the year		
Affiliate	<b>(7,360,379)</b>	(7,792,631)
International programs	<u><b>(2,795,814)</b></u>	<u>(3,265,326)</u>
Balance, end of year	<u><b>\$ 3,917,933</b></u>	<u>\$ 4,107,790</u>

### 8. Disposal of National ReStore operations

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 began operations in January 2017.

During the year, the Organization sold the National ReStore operations to an affiliate, in accordance with an agreement entered into upon the creation of the National ReStore. Under this agreement, the affiliate had the right to purchase the National ReStore and take control of its operations effective January 1, 2020.

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# Habitat for Humanity Canada/ Habitat pour l'humanité Canada

## Notes to Financial Statements

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December 31, 2019

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### 8. Disposal of National ReStore operations (continued)

The net gain on discontinued operations presented in the statement of operations includes the following:

	<u>2019</u>	<u>2018</u>
National ReStore revenue	\$ 1,108,693	\$ 1,059,850
National ReStore expense	<u>(967,553)</u>	<u>(990,703)</u>
Excess of revenues over expenses	\$ 141,140	\$ 69,147
Proceeds on sale of National ReStore	66,000	-
Loss on disposal of National ReStore capital assets	<u>(124,288)</u>	<u>-</u>
	<u>\$ 82,852</u>	<u>\$ 69,147</u>

All remaining amounts receivable and payable to the National ReStore at the time of sale were assumed by the Organization upon disposition and transferred to the National Office fund.

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### 9. Commitments

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

The minimum annual lease payments under these operating leases are as follows:

2020	\$ 385,228
2021	336,937
2022	214,788
2023	117,442
2024 and thereafter	<u>47,847</u>
	<u>\$ 1,102,242</u>

# Habitat for Humanity Canada/ Habitat pour l'humanité Canada

## Notes to Financial Statements

December 31, 2019

### 10. Allocation of support expenses

During the year ended December 31, 2019, common expenses consisting of salaries, benefits, facilities and information technology (IT) were allocated to various program areas as follows:

	Salaries and Benefits	Facilities and IT	<b>2019</b>	2018
Affiliate support and governance	\$ 167,971	\$ 159,217	<b>\$ 327,188</b>	\$ 39,503
ReStore and product development	57,740	250,264	<b>308,004</b>	291,408
Global Village and international programs	57,740	79,608	<b>137,348</b>	200,743
Government relations and Indigenous housing program	15,747	19,902	<b>35,649</b>	93,836
Marketing and communications	57,740	87,987	<b>145,727</b>	142,906
Administration	41,993	55,762	<b>97,755</b>	359,690
Fundraising	125,978	184,354	<b>310,332</b>	282,642
National ReStore	-	224,170	<b>224,170</b>	257,606
	<u>\$ 524,909</u>	<u>\$ 1,061,264</u>	<u><b>\$ 1,586,173</b></u>	<u>\$ 1,668,334</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, 2019 is \$Nil (2018 - \$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 \$6,800 at December 31, 2019 (2018 - \$Nil). 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.

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# Habitat for Humanity Canada/ Habitat pour l'humanité Canada

## Notes to Financial Statements

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December 31, 2019

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### 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.

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### 13. Subsequent events – National Housing Co-Investment Fund

On February 26, 2020, the Organization entered into an agreement with Canada Mortgage and Housing Corporation (CMHC) under the National Housing Co-Investment Fund, which is administered by CMHC as part of Canada's National Housing Strategy, to assist with the financing of the construction and/or the repair and renewal by the Organization's affiliates of affordable owner-occupied housing units. Under the agreement, funding of up to \$32,400,000 will be available to build approximately 405 new homes and repair and renew 105 existing units. The funding is to be made available in the form of a forgivable loan for eligible affiliate projects and will apply to projects commenced in the years 2019 to 2021.

As this agreement was not executed until after year end, management has determined that these events are a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect its impact.

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# Habitat for Humanity Canada/ Habitat pour l'humanité Canada

## Notes to Financial Statements

December 31, 2019

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### 14. Subsequent events – COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions worldwide, resulting in an economic slowdown. The impact on the Organization is as follows:

#### Overall changes to operations

The Organization's management has undertaken measures to scale back operations in an effort to contain costs and manage cash flows. This includes employee terminations and temporary layoffs, cancelling or postponing in person events and conferences, and delaying investment in non-core program activities. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remain unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.

#### Global Village program

All Global Village trips previously scheduled to commence after March 1, 2020 up to December 31, 2020 have been cancelled. Funds received from participants of cancelled 2020 Global Village trips as of December 31, 2019 amounted to \$247,700 and were recorded in deferred revenue at year end. The cancellation of Global Village trips represents an anticipated decrease in revenue of approximately \$512,000 to the Organization for the year ending December 31, 2020.

The Organization has determined that these events are a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact.

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### 15. Comparative figures

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