

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors of Habitat for Humanity Vancouver Island North Society,**

We have audited the accompanying financial statements of the Habitat for Humanity Vancouver Island North Society which comprise the statement of financial position as at December 31, 2016 and the statements of operations, change in net assets 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 misstatements, 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 assessments 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.

## INDEPENDENT AUDITOR'S REPORT

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

### *Basis for Qualified Opinion*

In common with many charitable organizations, the Habitat for Humanity Vancouver Island North Society derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Habitat for Humanity Vancouver Island North Society and we were not able to determine whether any adjustments might be necessary to revenues and excess of revenues over expenses reported in the statement of operations, and current assets and net assets reported in the statement of financial position.

### *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 the Habitat for Humanity Vancouver Island North Society as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

### *Emphasis of Matter*

We draw attention to Note 1 to the financial statements which describes the change in financial statement presentation relating to Habitat for Humanity Vancouver Island North Society utilizing fund accounting.

Courtenay Mathews LLP

**Chartered Professional Accountants**

Courtenay, B.C.

June 15, 2017

**HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**

	2016			2015	
	Operating Fund	Housing Fund	Invested in Property and Equipment	Total	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	604,305	-	-	604,305	1,041,328
Goods and services tax receivable	-	-	-	-	1,475
Property held in inventory	-	-	-	-	139,674
Prepaid expenses and deposits	16,784	-	-	16,784	9,338
Current portion of mortgages receivable	-	58,100	-	58,100	18,950
Interfund balances	(397,337)	397,337	-	-	-
	223,752	455,437	-	679,189	1,210,765
<b>HOUSING PROJECTS UNDER DEVELOPMENT</b>	-	691,665	-	691,665	48,479
<b>MORTGAGES RECEIVABLE (Note 3)</b>	-	1,061,022	-	1,061,022	868,705
<b>PROPERTY AND EQUIPMENT (Note 4)</b>	-	-	615,650	615,650	621,892
	223,752	2,208,124	615,650	3,047,526	2,749,841
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities	90,442	-	-	90,442	97,021
Goods and services tax payable	9,750	-	-	9,750	-
Current portion of demand loan (Note 5)	-	-	35,557	35,557	34,077
	100,192	-	35,557	135,749	131,098
Demand loan (Note 5)	-	-	111,695	111,695	147,291
	100,192	-	147,252	247,444	278,389
<b>DEFERRED CONTRIBUTIONS (Note 6)</b>	-	64,695	-	64,695	53,385
	100,192	64,695	147,252	312,139	331,774
<b>NET ASSETS</b>					
<b>UNRESTRICTED</b>	123,560	-	-	123,560	945,846
<b>HOUSING FUND</b>	-	2,143,429	-	2,143,429	1,031,697
<b>INVESTED IN PROPERTY AND EQUIPMENT</b>	-	-	468,398	468,398	440,524
	123,560	2,143,429	468,398	2,735,387	2,418,067
	223,752	2,208,124	615,650	3,047,526	2,749,841

Approved by:

  
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HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY  
STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2016

	2016			2015
	Operating Fund	Housing Fund	Invested in Property and Equipment	Total
<b>RESTORE SALES</b>	\$ 1,558,660	\$ -	\$ -	\$ 1,558,660
<b>RESTORE EXPENSES (Schedule 1)</b>	864,081	-	-	864,081
<b>NET CONTRIBUTION FROM RESTORE OPERATIONS</b>	694,579	-	-	694,579
<b>OTHER REVENUE</b>				
Proceeds from sale of housing	-	596,224	-	596,224
Cost of housing sold	-	(411,569)	-	(411,569)
Net contribution from sale of housing	-	184,655	-	184,655
Donations, grants and contributions	133,397	101,941	-	235,338
Interest and miscellaneous	13,840	-	-	13,840
<b>TOTAL REVENUE</b>	147,237	101,941	-	249,178
<b>OPERATING EXPENSES (Schedule 2)</b>	841,816	286,596	-	1,128,412
	435,172	-	25,121	460,293
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS</b>	406,644	286,596	(25,121)	668,119
Adjustment and amortization of mortgage receivable to fair value	-	(350,799)	-	(350,799)
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	\$ 406,644	\$ (64,203)	\$ (25,121)	\$ 317,320
				\$ 1,423,145
				756,357
				666,788
				80,968
				130,262
				8,849
				139,111
				886,867
				385,275
				501,592
				(160,688)
				340,904

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY  
STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2016

	2016			2015	
	Operating Fund	Housing Fund	Invested in Property and Equipment	Total	
<b>OPENING NET ASSETS (Note 1)</b>	\$ 945,846	\$ 1,031,697	\$ 440,524	\$ 2,418,067	\$ 2,077,163
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<u>406,644</u>	<u>(64,203)</u>	<u>(25,121)</u>	<u>317,320</u>	<u>340,904</u>
	1,352,490	967,494	415,403	2,735,387	2,418,067
<b>INTERFUND TRANSFERS</b>					
Equipment additions	(11,915)	-	11,915	-	-
Repayment of demand loan	(41,080)	-	41,080	-	-
Housing development additions	<u>(1,175,935)</u>	<u>1,175,935</u>	-	-	-
	(1,228,930)	1,175,935	52,995	-	-
<b>ENDING NET ASSETS</b>	<u>\$ 123,560</u>	<u>\$ 2,143,429</u>	<u>\$ 468,398</u>	<u>\$ 2,735,387</u>	<u>\$ 2,418,067</u>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2016**

	<b>2016</b>	<b>2015</b>
		(Note 9)
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 317,320	\$ 340,904
Items not involving cash:		
Amortization of property and equipment	18,157	15,626
Net contribution from sale of housing	(184,655)	(80,968)
Deferred contributions recognized to income	(101,940)	(78,148)
Adjustment and amortization of mortgages receivable to fair value	350,799	160,688
	399,681	358,102
Changes in non-cash working capital balances:		
Decrease in goods and services tax receivable	11,225	611
Increase in prepaid expenses and deposits	(7,445)	-
Increase (decrease) in accounts payable and accrued liabilities	(6,579)	19,839
	396,882	378,552
<b>INVESTING ACTIVITIES</b>		
Expenditure on housing projects	(915,081)	(149,082)
Mortgage payments received	13,958	70,487
Capital additions	(11,915)	(22,049)
	(913,038)	(100,644)
<b>FINANCING ACTIVITIES</b>		
Repayments on demand loan	(34,117)	(32,682)
Receipts of deferred contributions	113,250	55,497
	79,133	22,815
<b>NET INCREASE (DECREASE) IN CASH</b>	(437,023)	300,723
<b>OPENING CASH BALANCE</b>	1,041,328	740,605
<b>ENDING CASH BALANCE</b>	\$ 604,305	\$ 1,041,328

The accompanying notes are an integral part of these financial statements.