

Financial Statements of

**HABITAT FOR HUMANITY
WINDSOR-ESSEX INC.**

Year ended December 31, 2016

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Financial Statements

Year ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Habitat for Humanity Windsor-Essex Inc.

We have audited the accompanying financial statements of Habitat for Humanity Windsor-Essex Inc., which comprise the statement of financial position as at December 31, 2016, the statement of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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

In common with many charitable organizations, Habitat for Humanity Windsor-Essex Inc. derives revenue from donations and fundraising, 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 Habitat for Humanity Windsor-Essex Inc. and we were not able to determine whether, as at December 31, 2016 any adjustments might be necessary to donations and contributions and fundraising, excess of expenses over revenue, current assets and net assets.

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 Windsor-Essex Inc. as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

April 17, 2017

Windsor, Canada

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash (note 2)	\$ 529,165	\$ 513,674
Accounts and HST receivable (note 3)	51,233	12,783
Prepaid expenses	7,560	5,061
Mortgages receivable - current portion (note 4)	170,561	183,586
Property held for sale and development (note 5)	348,393	70,133
	<u>1,106,912</u>	<u>785,237</u>
Mortgages receivable (note 4)	3,813,180	3,914,112
Capital assets (note 6)	33,551	56,373
	<u>\$ 4,953,643</u>	<u>\$ 4,755,722</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 76,612	\$ 38,283
Deferred contributions (note 8)	6,811	28,932
	<u>83,423</u>	<u>67,215</u>
Deferred revenue (note 9)	1,123,250	1,200,750
Deferred capital contributions (note 8)	14,915	26,847
	<u>1,221,588</u>	<u>1,294,812</u>
Net assets		
Unrestricted	3,432,556	3,150,128
Invested in capital assets (note 11)	18,636	29,526
Internally restricted funds (note 10)	280,863	281,256
	<u>3,732,055</u>	<u>3,460,910</u>
Contingencies (note 13)		
Commitments (note 14)		
	<u>\$ 4,953,643</u>	<u>\$ 4,755,722</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Fundraising and donations	\$ 203,776	\$ 18,340
Restore	1,090,151	836,749
Grants	49,621	57,767
Amortization of deferred capital contributions (note 8)	11,932	2,983
Other income	1,350	6,853
	<u>1,356,830</u>	<u>922,692</u>
Expenses:		
Advertising and promotion	31,822	16,304
Amortization of capital assets	24,045	15,229
Interest and bank charges	9,320	7,123
Office	127,749	95,435
Professional services	30,508	28,386
Tithing	33,663	51,358
Facility	167,248	106,288
Special projects	38,039	44,897
Truck	38,338	25,109
Volunteer	1,582	2,230
Wages and benefits	611,240	483,874
Meetings and committee expenses	14,488	7,630
	<u>1,128,042</u>	<u>883,863</u>
Excess of revenue over expenses before the undernoted	228,788	38,829
Net home builds income	42,357	28,949
<u>Excess of revenue over expenses</u>	<u>\$ 271,145</u>	<u>\$ 67,778</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Changes in Net Assets

Year ended December 31, 2016, with comparative information for 2015

	Internally restricted funds (note 10)	Invested in capital assets (note 11)	Unrestricted	2016 Total	2015 Total
Balance, beginning of year	\$ 281,256	\$ 29,526	\$ 3,150,128	\$ 3,460,910	\$ 3,393,132
Excess (deficiency) of revenue over expenses	-	(12,113)	283,258	271,145	67,778
Interfund transfers	(393)	1,223	(830)	-	-
Balance, end of year	\$ 280,863	\$ 18,636	\$ 3,432,556	\$ 3,732,055	\$ 3,460,910

See accompanying notes to financial statements.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 271,145	\$ 67,778
Amortization of capital assets	24,045	15,229
Amortization of deferred capital contributions	(11,932)	(2,983)
Change in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(38,450)	11,115
Increase in prepaid expenses	(2,499)	(5,061)
Increase in accounts payable and accrued liabilities	38,329	27,382
Decrease in deferred contributions	(22,121)	(668)
Decrease in deferred revenue	(77,500)	(124,875)
	<u>181,017</u>	<u>(12,083)</u>
Investing activities:		
Increase in mortgages receivable	(206,254)	(336,170)
Repayment of mortgages receivable	320,211	552,563
(Increase) decrease in property held for sale and development	(278,260)	121,838
Purchases of capital assets	(1,223)	(25,328)
	<u>(165,526)</u>	<u>312,903</u>
Increase in cash	15,491	300,820
Cash, beginning of year	513,674	212,854
Cash, end of year	<u>\$ 529,165</u>	<u>\$ 513,674</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements

Year ended December 31, 2016

Habitat for Humanity Windsor-Essex Inc. (the "Organization") is incorporated without share capital under the Corporation Act of Ontario. The Organization is a non-profit organization dedicated to improving the lives of economically disadvantaged persons by constructing or renovating homes for the working poor and providing interest free mortgages to enable them to pay for such homes or renovations. Mortgages on homes are non-interest bearing.

The Organization is a charitable organization registered under the Income Tax Act and as such is exempt from income taxes and able to issue donation receipts for income tax purposes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which include donations and government grants.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from sales of restore goods is recognized when the goods are sold.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(b) Capital assets:

Capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Amortization is provided over the estimated useful lives of the assets using the straight-line method at the following rates:

Asset	Rate
Equipment	3 years
Vehicles	5 years

(c) Property held for sale:

Property held for sale, which includes land and buildings and building materials, both purchased and donated, is recorded at the lower of cost and net realizable value.

(d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Donated goods and services are recorded when a fair value can be reasonably estimated and they would otherwise be purchased if not donated.

(e) Mortgages receivable:

Mortgages receivable are initially measured at the fair value of the consideration given when the Organization becomes party to the signed mortgage.

Prior to December 31, 2009, when a house was sold or renovation was completed, the new homeowner provided a first mortgage which was determined based on a formula using the cost of construction of the home. The home was then appraised and the difference between the appraised value and the first mortgage was the amount of value assigned to the second mortgage given to the homeowner. Subsequent to 2009, mortgages are based solely on the appraised value of the home.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(f) Deferred revenue:

Deferred revenue relates to the second mortgages. Any amounts subsequently received will be recorded as revenue in the period received.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Items subject to estimates and assumptions include the carrying value of mortgages receivable, value of donated goods, and net realizable value of properties held for sale. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(h) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Cash:

Included in cash are amounts totaling \$105,825 (2015 - \$162,825) designated for home builds.

3. Accounts receivable:

	2016	2015
Accounts receivable	\$ 46,924	\$ 6,419
HST receivable	4,309	6,364
	\$ 51,233	\$ 12,783

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Mortgages receivable:

	2016	2015
Total mortgages receivable	\$ 3,983,741	\$ 4,097,698
Less current portion	170,561	183,586
	<u>\$ 3,813,180</u>	<u>\$ 3,914,112</u>

- (i) First mortgages bear no interest, are secured by a charge on the specific property, and are receivable in monthly instalments with a twenty, twenty-five or thirty year term.
- (ii) Up to 2009, the second mortgage was calculated by taking the difference between the actual cost of the home and the appraised value of each home at the time it is sold to the recipient.

The terms are as follows:

- The second mortgage may be reduced by a maximum of 25% after a period of 12 years.
- (iii) As of 2010, the affiliate policy is that a home will be sold to a partner family at fair market value, as determined by a qualified independent appraiser.

5. Property held for sale and development:

	2016	2015
Rickway Avenue	\$ 203,084	\$ -
Stoney Point land	87,750	-
Armanda Road	37,770	37,770
Birch Road	19,789	-
Meldrum Road	-	32,363
	<u>\$ 348,393</u>	<u>\$ 70,133</u>

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

6. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 82,775	\$ 67,812	\$ 14,963	\$ 24,278
Vehicles	75,595	57,007	18,588	32,095
	\$ 158,370	\$ 124,819	\$ 33,551	\$ 56,373

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$25,716 (2015 - \$1,266), which includes amounts payable for WSIB and payroll-related remittances.

8. Deferred contributions:

Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent resources restricted for specific future expenditures:

	2016	2015
Balance, beginning of year	\$ 28,932	\$ 29,600
Less: amount recognized as revenue	28,932	29,600
Add: amount received related to future periods	6,811	28,932
	\$ 6,811	\$ 28,932

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

8. Deferred contributions (continued):

Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of contributions received for the purchase of capital assets:

	2016	2015
Balance, beginning of year	\$ 26,847	\$ 29,830
Less: amount amortized	11,932	2,983
	\$ 14,915	\$ 26,847

9. Deferred revenue:

Deferred revenue consists of the following:

	2016	2015
Second mortgages	\$ 1,123,250	\$ 1,200,750
	\$ 1,123,250	\$ 1,200,750

10. Internally restricted funds:

The following are funds which have been set aside for specific purposes by the Board of Directors:

	2016	2015
Reserved for property taxes	\$ 15,000	\$ 15,000
Reserved for future builds	265,863	266,256
Balance, end of year	\$ 280,863	\$ 281,256

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

11. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2016	2015
Capital assets	\$ 33,551	\$ 56,373
Amounts financed by:		
Deferred capital contributions	(14,915)	(26,847)
	\$ 18,636	\$ 29,526

(b) Change in net assets invested in capital assets is calculated as follows:

	2016	2015
Excess (deficiency) of revenue over expenses:		
Amortization of capital assets	\$ (24,045)	\$ (15,229)
Amortization of deferred capital contributions	11,932	2,983
	(12,113)	(12,246)
Purchase of capital assets	1,223	25,328
	\$ (10,890)	\$ 13,082

12. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2015.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

12. Financial risks and concentration of credit risk (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable and mortgages receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

13. Contingencies:

From time to time, the Organization is involved in various litigation matters arising in the ordinary course of its business. The Organization has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Organization's financial position, results of operations or its ability to carry on any of its business activities.

14. Commitments:

The Company leases building for the stores located in Windsor and Leamington under long-term operating leases. The future minimum payments for leases are as follows:

2017	\$	102,378
2018		48,703
2019		37,968
2020		37,968
2021		9,492
	\$	236,509
