



Chartered Accountants

881 Lady Ellen Place,
Suite 200
Ottawa, ON K1Z 5L3
Tel: (613) 235-2000
Fax: (613) 235-2643
www.hwllp.ca

Financial Statements of

**HABITAT FOR HUMANITY -
NATIONAL CAPITAL REGION**

December 31, 2014



Chartered Accountants

881 Lady Ellen Place,
Suite 200
Ottawa, ON K1Z 5L3
Tel: (613) 235-2000
Fax: (613) 235-2643
www.hwllp.ca

June 19, 2015

INDEPENDENT AUDITORS' REPORT

To the Members of
Habitat for Humanity - National Capital Region:

We have audited the accompanying financial statements of Habitat for Humanity - National Capital Region, which comprise the statement of financial position as at December 31, 2014 and the statements of revenues and expenses and changes in net assets and cash flows for the year then ended as well as a summary of significant accounting policies, other explanatory information and supplementary 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 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 opinion.



Chartered Accountants

881 Lady Ellen Place,
Suite 200
Ottawa, ON K1Z 5L3
Tel: (613) 235-2000
Fax: (613) 235-2643
www.hwllp.ca

Basis for Qualified Opinion

In common with many not-for-profit organizations, Habitat for Humanity - National Capital Region derives revenue from fundraising activities, the completeness of which 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 - National Capital Region. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2014, and current assets and net assets as at December 31, 2014.

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 - National Capital Region as at December 31, 2014, 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.

A handwritten signature in black ink that reads "Hendry Warren" followed by "LLP" in a smaller, less legible script.

HENDRY WARREN LLP
Chartered Accountants
Licensed Public Accountants
Ottawa, Ontario

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Statement of Financial Position

December 31, 2014, with comparative figures for 2013

	2014	2013
Assets		
Current assets		
Cash	\$ 822,168	\$ 777,245
Restricted cash (Note 2)	611,265	681,540
Accounts receivable	74,643	92,726
Prepaid expenses	33,737	19,479
Government remittances receivable	9,519	-
HST recoverable	113,912	32,652
Current portion of mortgages receivable	189,174	191,618
	1,854,418	1,795,260
Mortgages receivable (Note 3)	1,489,446	1,586,460
Residential projects (Note 4)	1,773,401	1,202,641
Capital assets (Note 5)	34,587	48,827
	\$ 5,151,852	\$ 4,633,188
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued charges	\$ 319,054	\$ 283,202
Government remittance payable	7,169	6,479
Funds held in trust	115,487	50,795
	441,710	340,476
Lease inducement	24,850	-
Deferred contributions (Note 6)	940,366	756,510
	1,406,926	1,096,986
Commitments (Note 7)		
Net assets		
Restricted - cash	611,265	681,540
Restricted - builds and mortgages	2,243,690	2,173,415
Unrestricted	889,971	681,247
	3,744,926	3,536,202
	\$ 5,151,852	\$ 4,633,188

Approved on behalf of the Board:

President

Treasurer

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Statement of Revenues and Expenses

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
Revenues		
ReStore operations (Schedule A)	\$ 304,577	\$ 341,229
Residential projects operations	-	647,945
Unrestricted donations and fundraising	614,246	340,263
Effective interest on mortgage receivable	85,500	120,167
Grants and other income	32,217	19,814
Interest income	6,932	12,662
	1,043,472	1,482,080
Expenses		
Advertising and promotion	26,256	1,690
Amortization	14,063	4,600
Bank charges and interest	1,708	3,779
Board and committee expenses	18,220	6,427
Build remedial expenses	15,882	-
Fundraising expenses	112,489	71,637
Insurance	4,764	2,637
Mortgage discount for interest free mortgages	-	415,670
Office	34,648	34,662
Professional fees	32,075	40,289
Rent and utilities	101,309	39,151
Repairs and maintenance	22,714	12,433
Salaries, wages and benefits	418,543	523,959
Telephone	12,868	9,759
Tithing	10,000	23,000
Vehicle expense	9,209	9,389
	834,748	1,199,082
Excess of revenues over expenses	\$ 208,724	\$ 282,998

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Statement of Changes in Net Assets

Year ended December 31, 2014, with comparative figures for 2013

	Unrestricted	Restricted	2014 Total	2013 Total
Net assets, beginning of year	\$ 681,247	\$ 2,854,955	\$ 3,536,202	\$ 3,253,204
Excess of revenues over expenses	208,724	-	208,724	282,998
Net assets, end of year	\$ 889,971	\$ 2,854,955	\$ 3,744,926	\$ 3,536,202

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Cash Flow Statement

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
Operating activities		
Excess of revenues over expenses	\$ 208,724	\$ 282,998
Non cash items:		
Amortization expense	20,031	6,704
Effective interest on mortgage receivable	(85,500)	(120,167)
Loss on disposal of capital assets	276	-
Lease inducement adjustment	24,850	-
Mortgage discount on interest free mortgages	-	415,670
Decrease in deferred contributions net of change in residential projects and cash contributions	-	(750,560)
Changes in working capital balances (Note 8)	14,280	115,352
Cash provided by (used in) operating activities	182,661	(50,003)
Investing activities		
Acquisition of capital assets, net of disposals	(6,067)	(35,043)
Advance of mortgages receivable in the year	-	(852,870)
Repayment of mortgages receivable	189,175	237,769
Buyout costs for repurchased homes	-	103,464
Increase in residential projects	(570,760)	-
Cash used in investing activities	(387,652)	(546,680)
Financing activities		
Cash contributions received for builds	179,639	386,493
Cash provided by financing activities	179,639	386,493
Decrease in cash	(25,352)	(210,190)
Cash, beginning of year	1,458,785	1,668,975
Cash, end of year	\$ 1,433,433	\$ 1,458,785
Cash consists of:		
Cash	\$ 822,168	\$ 777,245
Restricted cash	611,265	681,540
	\$ 1,433,433	\$ 1,458,785
Cash flows from interest are as follows:		
Interest received	\$ 6,932	\$ 12,662

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2014, with comparative figures for 2013

Status and purpose of the organization

Habitat for Humanity - National Capital Region (the Organization) was established on March 1, 1993 by letters patent under the Canada Corporations Act. The Organization has been continued under the Canada Not-for-Profit Corporations Act. The Organization is exempt from tax under the Income Tax Act.

The Organization is a not-for-profit organization and registered charity that raises funds and solicits donations of goods and services in order to build simple, decent and affordable homes for low income working families, who pay back an interest-free mortgage and contribute 500 hours of sweat equity. The Organization also operates new and used building supply stores called "ReStores."

1. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations and include the following significant accounting policies:

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or are netted against residential project operations if applicable. 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.

Revenue from residential projects operations is recognized in the period in which title to the house is transferred to the applicable family.

Revenue from ReStore sales is recognized at the point of sale.

Donated materials and services

Part of the activities of the Organization are carried out by volunteers. In addition, the Organization relies on donated materials to help complete its projects. These financial statements do not account for the value of volunteer labour, services or materials for which a donation receipt was not issued. The donations in kind for which the fair market value was known and a donation receipt was issued are recorded at fair market value and recognized as income if the value is greater than \$50,000. Donations in kind received with a fair market value of less than \$50,000 are recognized in income upon sale.

Donations in kind at the ReStore are not recorded until time of sale, at which time they are recorded at fair market value and a donation receipt is issued.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2014, with comparative figures for 2013

Mortgages receivable

The Organization has issued second mortgages on some of the properties transferred, representing the "forgivable" portion of the houses. As well, second and third mortgages have been issued on certain properties and are held by the City of Ottawa. Since the likelihood of the collection of these amounts cannot be determined, these second and third mortgages have not been recorded in the financial statements.

When new mortgages are issued, they are recorded at amortized cost. This method discounts the face value of the mortgage using the prevailing interest rate over the life of the mortgage. The difference between the face value of the new mortgage and the amortized cost carrying value is recorded on the statement of revenues and expenses as "Mortgage discount for interest free mortgages." The non-forgivable portion of mortgages are non-interest bearing. However, due to the application of accounting standards for not-for-profit organizations with respect to financial instruments, interest income on mortgages is recognized each year in the statement of revenues and expenses as "Effective interest on mortgages receivable," based on the prevailing interest rate at the inception of the mortgage.

Residential projects

Land is recorded at the purchase price plus carrying costs or at fair market value at the time of the donation. Houses are recorded at cost plus the receipted value of donated goods and services.

Donated assets

Donated assets are recorded at the lower of cost and net realizable value. Cost represents the fair market value of the donated assets.

Interest capitalization

Interest is capitalized on debts incurred during the construction phase of a residential project and is expensed as part of the cost of the house when the project is complete and the mortgage is closed.

Cash and cash equivalents

The Organization's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn, guaranteed investment certificates with a maturity period of twelve months or less from the date of acquisition, and restricted cash.

Restricted cash represents amounts collected specifically for housing project builds.

Lease inducement

The lease inducement is amortized over the term of the lease.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2014, with comparative figures for 2013

Capital assets

Capital assets are accounted for at cost. Amortization is based on the assets' respective useful lives using the following methods and rates:

Asset	Method	Rate
Computer equipment	Declining balance	30%
Computer software	Declining balance	50%
Furniture and fixtures	Declining balance	20%
Leasehold improvements	Declining balance	4%
Machinery and equipment	Declining balance	30%
Vehicles	Declining balance	30%

One-half of the annual amount is claimed in the year of acquisition except on computer software.

The computer software was purchased and paid for in 2013. Amortization of the software began in 2014, when it started being used, to correspond with the Organization's useful life policy of amortization.

Allocation of expenses

The Organization separately discloses a Statement of Operations for its ReStore locations. The Organization allocates general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis each year. Allocations are based on the proportion of use and time between the ReStores and general organizational purposes.

Use of estimates

The preparation of these financial statements in conformity with Canadian generally accepted accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the current period.

Significant items subject to such estimates and assumptions include the estimated useful lives of capital assets, and the valuation of mortgages receivable including the appropriateness of the discount rate used on mortgage. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2014, with comparative figures for 2013

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, restricted cash, accounts receivable and mortgages receivable.

Financial liabilities measured at amortized cost include the accounts payable and accrued charges and funds held in trust.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in statement of revenues and expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in statement of revenues and expenses.

Transaction costs

The Organization recognizes its transaction costs in the statement of revenues and expenses in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. Restricted cash

Restricted cash represents amounts collected specifically for housing project builds.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2014, with comparative figures for 2013

3. Mortgages receivable

The mortgages receivable are non-interest bearing and have repayment terms ranging from 1 to 35 years. Mortgages receivable are classified as held to maturity and are measured at amortized cost using the effective interest method. Although the mortgages are non-interest bearing, they are accounted for using the effective interest rate determined on the initial issuance of the mortgage. These rates range from 3.945% to 6.000%. The carrying value of the mortgages approximates their fair value given the decline in interest rates and increase in credit spreads for higher risk assets during the year. The value of second and third mortgages issued as at December 31, 2014 for the "forgivable" portion of the houses, but not recognized in these financial statements, was \$Nil (2013: \$861,396).

At December 31, 2014, there were twelve (2013: eight) families living in homes in which the transfer of title was not complete and as such these mortgages have not been recognized. These families pay monthly advances towards the future mortgage balance.

4. Residential projects

	2014	2013
Land and housing projects under development	\$ 1,773,401	\$ 1,202,641

Since the beginning of its operations, the Organization has completed 44 houses and 9 retrofits.

5. Capital assets

	2014		2013	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 41,838	\$ 32,928	\$ 8,910	\$ 12,728
Computer software	28,461	14,231	14,230	22,394
Furniture and fixtures	5,533	3,652	1,881	2,351
Leasehold improvements	6,968	279	6,689	6,968
Machinery and equipment	-	-	-	276
Vehicles	6,908	4,031	2,877	4,110
	\$ 89,708	\$ 55,121	\$ 34,587	\$ 48,827

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2014, with comparative figures for 2013

6. Deferred contributions

Deferred contributions represent resources which, subject to external restrictions, are to be used to cover expenses in subsequent years. Details of the deferred contributions balance are as follows:

	2014	2013
House and land contributions		
Women build contributions	\$ 1,221	\$ -
ReStore cans contributions	17,290	16,083
Faith build contributions	32,095	31,628
2015 builds contributions	54,963	-
Nantes contributions	690,033	545,077
Eve Street	144,764	144,764
Walton Street	-	10,000
	940,366	747,552
Other contribution		
ReNewIt contribution	-	8,958
Balance, end of year	\$ 940,366	\$ 756,510

During the year, the Organization received deferred contributions totalling \$202,813 (2013: \$521,494), recognized in revenue \$18,958 (2013: \$534,365), and charged the balance of \$Nil (2013: \$1,225,869) to residential projects.

7. Commitments

Future minimum rental payments required under operating leases for IT services, premises and vehicle that have initial or remaining lease terms in excess of one year at December 31, 2014 are as follows:

	IT Services	Premises	Vehicle	Total
2015	\$ 12,000	\$ 249,760	\$ 14,040	\$ 275,800
2016	12,000	249,760	12,870	274,630
2017	7,000	249,760	-	256,760
2018	-	249,760	-	249,760
2019	-	243,947	-	243,947
After	-	165,000	-	165,000
	\$ 31,000	\$ 1,407,987	\$ 26,910	\$ 1,465,897

During the year, the Organization entered into an agreement to purchase a parcel of land. The purchase price of the land, as set out in the agreement, is a deposit of \$10,000 and a balance of \$415,000 due on closing. The refundable deposit of \$10,000 was paid prior to year end and has been included in residential projects on the statement of financial position. The agreement is conditional and if the conditions are not met the Organization has the right to terminate the agreement.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2014, with comparative figures for 2013

8. Changes in working capital balances

Changes in working capital balances have provided (used) cash as follows:

	2014	2013
Accounts receivable	\$ 18,083	\$ 1,585
Prepaid expenses	(14,258)	(2,493)
Government remittances receivable	(9,519)	-
HST recoverable	(81,260)	37,684
Accounts payable and accrued charges	35,852	85,083
Government remittances payable	690	(660)
Funds held in trust	64,692	(5,847)
	<hr/>	<hr/>
	\$ 14,280	\$ 115,352

9. Financial instruments

Risk and concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the risk exposures and concentrations at the statement of financial position date, December 31, 2014.

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 with respect to the accounts receivable and mortgages receivable. Credit is granted as a normal part of operations.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued charges and funds held in trust.

It is management's assessment that there has been no change to the above risks' assessed levels during the year.

10. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's financial statement presentation.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Supplementary Financial Information

Schedule A

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
ReStore operations		
Sales	\$ 1,142,100	\$ 1,059,214
Expenses		
Advertising and promotion	47,968	34,821
Amortization	5,968	2,104
Bank charges and interest	21,232	17,339
Office and miscellaneous expenses	18,310	25,586
Professional fees	2,774	17,560
Rent and utilities	254,489	192,199
Repairs and maintenance	41,762	29,933
Salaries and benefits	402,455	356,147
Telephone	8,362	9,356
Vehicle expenses	34,203	32,940
	837,523	717,985
Earnings	\$ 304,577	\$ 341,229