Grant Thornton

Financial Statements

Habitat for Humanity Greater Toronto Area

December 31, 2016

Contents

Independent Auditor's Report

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To the Members of
Habitat For Humanity Greater Toronto Area

We have audited the accompanying financial statements of Habitat for Humanity Greater Toronto Area, which comprise the statement of financial position as at December 31, 2016, the statements of operations, changes 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 misstatement, 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 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Habitat for Humanity Greater Toronto Area as at December 31, 2016, 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.

Other matter

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The supplementary information on pages 18 to 20 is presented for purposes of additional information and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the financial statements taken as a whole.

Grant Thornton LLP

Toronto, Canada
May 26, 2017

Chartered Professional Accountants
Licensed Public Accountants

Habitat for Humanity Greater Toronto Area
Statement of Financial Position

December 31	2016	2015
Assets		
Current		
Cash and cash equivalents	**$ 2,298,094**	$ 818,405
Accounts receivable	**1,065,439**	1,118,876
Prepaid expenses and deposits	**272,425**	230,389
Current portion of mortgages receivable (Note 3)	**1,337,042**	1,148,769
	4,973,000	3,316,439
Mortgages receivable (Note 3)	**23,584,175**	17,885,484
Projects under development (Note 4)	**19,758,358**	25,754,791
Capital assets (Note 5)	**6,207,105**	6,363,840
	$ 54,522,638	$ 53,320,554

	2016	2015
Liabilities		
Current		
Bank indebtedness (Note 6)	**$ 200,000**	$ 200,000
Accounts payable and accrued liabilities (Notes 7 and 11)	**2,276,018**	2,756,212
Current portion of long-term debt (Note 8)	**5,373,464**	4,430,598
Current portion of obligations under capital lease	**19,855**	16,421
	7,869,337	7,403,231
Long-term debt (Note 8)	**13,711,101**	11,771,826
Deferred contributions (Note 9)	**1,013,572**	493,717
Obligations under capital lease	**816**	20,518
	22,594,826	19,689,292
Net assets		
Invested in projects under development	**29,302,504**	31,255,778
Invested in capital assets	**1,482,759**	3,185,006
Unrestricted	**1,142,549**	(809,522)
	31,927,812	33,631,262
	$ 54,522,638	$ 53,320,554

Commitments (Note 14)
Contingencies (Note 15)

On behalf of the board

____________________ Director ____________________ Director

Habitat for Humanity Greater Toronto Area
Statement of Operations

Year ended December 31	**2016**	2015
Revenue		
Donations and fundraising (Note 10)	**$ 5,301,216**	$ 6,964,111
Interest and other	**55,446**	51,745
Government grants	**466,000**	-
Net contribution from ReStore (Schedule 1)	**1,988,898**	2,046,394
	7,811,560	9,062,250
Expenditures		
Administrative (Schedule 2)	**946,264**	829,717
Fundraising (Schedule 3)	**1,748,300**	1,500,318
Program (Schedule 4)	**3,472,971**	3,185,571
	6,167,535	5,515,606
Excess of revenue over expenditures before other expenses (income)	**1,644,025**	3,546,644
Other expenses (income)		
Revenue from projects under development	**(11,670,531)**	(1,986,394)
Development costs of projects transferred	**12,193,556**	3,378,945
Write-down of mortgages receivable to amortized cost (Note 3)	**4,505,385**	524,503
Interest income on mortgages receivable (Note 3)	**(995,301)**	(966,539)
Mortgage realization	**(685,634)**	-
	3,347,475	950,515
(Deficiency) excess of revenue over expenditures	**$ (1,703,450)**	$ 2,596,129

Habitat for Humanity Greater Toronto Area
Statement of Changes in Net Assets

Year ended December 31

	Invested in projects under development	Invested in capital assets	Unrestricted	**Total 2016**	Total 2015
Balance, beginning of year	$ 31,255,778	$ 3,185,006	$ (809,522)	**$ 33,631,262**	$ 31,035,133
(Deficiency) excess of revenue over expenditures	(3,543,124)	(179,770)	2,019,444	**(1,703,450)**	2,596,129
Investment in projects under development	6,216,647	-	(6,216,647)	**-**	-
Investment in capital assets	-	71,095	(71,095)	**-**	-
Mortgage principal received, net	(3,330,950)	-	3,330,950	**-**	-
Proceeds from long-term debt	(2,684,114)	(2,071,082)	4,755,196	**-**	-
Repayment of long-term debt	1,388,267	497,421	(1,885,688)	**-**	-
Proceeds from deferred contributions	-	(19,911)	19,911	**-**	-
Balance, end of year	**$ 29,302,504**	**$ 1,482,759**	**$ 1,142,549**	**$ 31,927,812**	$ 33,631,262

Habitat for Humanity Greater Toronto Area
Statement of Cash Flows

Year ended December 31	**2016**	2015
Increase (decrease) in cash and cash equivalents		
Operating		
(Deficiency) excess of revenue over expenditures	**$ (1,703,450)**	$ 2,596,129
Items not affecting cash		
Amortization	**227,830**	245,296
Gifts in kind	**(937,281)**	(615,748)
Deferred contributions - projects under development	**(482,551)**	(297,342)
Amortization of deferred contributions for project costs and capital assets	**(48,061)**	(46,260)
Loss (gain) on transfer of projects under development	**523,025**	1,392,551
Interest income on mortgages receivable	**(995,301)**	(966,539)
Mortgage realization	**(685,634)**	-
Proceeds received on sale of projects under development and capital asset disposal	**675,000**	843,660
Write-down of mortgages receivable to amortized cost	**4,505,385**	524,503
Loss (gain) on disposal of capital assets	**-**	(2,661)
	1,078,962	3,673,589
Change in non-cash working capital items		
Accounts receivable	**53,437**	1,045,419
Prepaid expenses and deposits	**(42,036)**	(12,990)
Accounts payable and accrued liabilities	**(480,194)**	593,307
	610,169	5,299,325
Financing		
Repayment of bank indebtedness	**-**	(1,115,000)
Repayment of long-term debt	**(1,869,421)**	(2,189,740)
Proceeds from long-term debt	**4,755,196**	3,199,490
Repayment of capital lease obligation	**(16,268)**	(11,668)
	2,869,507	(116,918)
Investing		
Mortgage payments received	**3,330,950**	1,731,597
Expenditures on projects under development	**(5,259,842)**	(6,327,235)
Purchase of capital assets	**(71,095)**	(54,768)
	(1,999,987)	(4,650,406)
Increase in cash and cash equivalents	**1,479,689**	532,001
Cash and cash equivalents		
Beginning of year	**818,405**	286,404
End of year	**$ 2,298,094**	$ 818,405

1. Nature of organization and legal form

Habitat for Humanity Greater Toronto Area ("Habitat") was created through the amalgamation of three Habitat affiliates and was incorporated without share capital by letters patent, dated April 1, 2014 under the Ontario Corporations Act. Habitat is a registered Canadian charitable organization under the Income Tax Act (Canada).

The mission of Habitat is to mobilize volunteers and community partners to help hardworking, low income families break the cycle of poverty through affordable home ownership. In order to support administrative and fundraising efforts, Habitat also operates "ReStore" outlets which sell donated new and used materials.

2. Summary of significant accounting policies

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.

Use of estimates

The preparation of financial statements in conformity 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 revenue and expenditures during the year. These estimates are based on management's best efforts and knowledge of current events and actions that Habitat may undertake. Actual results could differ from these estimates. The significant estimates in these financial statements include useful lives of capital assets, impairment of assets, the interest rate used to determine the present value of mortgages receivable, the fair value of gifts in kind, and the allocation of salaries and benefits and facilities expenses.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit in chartered banks and term deposits that mature within 100 days.

Financial instruments

Habitat's financial instruments comprise cash and cash equivalents, accounts receivable, mortgages receivable, bank indebtedness, accounts payable and long-term debt.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value and financial assets or liabilities obtained in related party transactions are measured at their exchange amount. Habitat subsequently measures all of its financial assets and financial liabilities at amortized cost. Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

2. Summary of significant accounting policies (continued)

Projects under development

Projects under development, which include land, buildings and building materials, both purchased and donated, are recorded at the lower of cost and net realizable value. Net realizable value is defined as the lower of market value less costs of disposition and the amount of non-forgivable mortgages to be assumed by partner families. Any excess of carrying value over net realizable value is expensed in the year in which the impairment is realized.

Capital assets

Capital assets are recorded at cost. Amortization is provided over the assets' estimated useful lives as follows:

Building - 155 Bermondsey Road	50 years Straight-line
Automotive	30% Declining balance
Machinery and equipment	20% Declining balance
Computers and software	30% Declining balance
Furniture and fixtures	20% Declining balance

Leasehold improvements are amortized on a straight-line basis over the term of the lease to a maximum of ten years.

Revenue recognition

Habitat follows the deferral method of accounting for donations. Unrestricted donations are recognized as revenue when received or receivable. Restricted donations are recognized as revenue in the year in which the related expenses or expenditures are incurred. The amount of any pledges to donate funds to Habitat is not recognized as revenue until collection is assured.

Deferred contributions represents unspent restricted donations. Restricted donations for capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired assets.

The ReStore outlets sell donated new and used materials. ReStore outlet revenue is recognized upon delivery of the goods to the customer.

Revenue from projects is recognized when Habitat has transferred the significant risks and rewards of home ownership to the partner family, in that all significant acts have been completed and Habitat retains no continuing managerial involvement in, or effective control of, the home to a degree usually associated with ownership, and reasonable assurance exists regarding the measurement of consideration. Generally, this occurs upon transfer of property title to the partner family. The proceeds recognized are determined by reference to fair market value of the homes transferred. The proceeds are satisfied by mortgages issued by Habitat; these mortgages are recorded at amortized cost in accordance with the financial instruments accounting policy, as described previously.

2. Summary of significant accounting policies (continued)

Donated goods and services

Donated goods are recorded when a fair value can be reasonably estimated and they would otherwise be purchased by Habitat. Donated goods that are received by Habitat from the Habitat for Humanity Canada (HFHC) gift in kind program are recorded at the fair value estimated by HFHC.

Goods donated to the ReStore outlets are not recorded as assets in these financial statements.

A substantial number of volunteers make significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in these financial statements.

Net assets

Net assets invested in projects under development is equal to the carrying value of the mortgages receivable plus the projects under development less long-term liabilities and deferred contributions related thereto.

Net assets invested in capital assets is equal to the carrying value of capital assets less the long-term liabilities and deferred contributions related thereto.

Unrestricted net assets represents the residual net assets of Habitat.

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 13).

3. Mortgages receivable

	2016		2015	
	Face value	Amortized cost	Face value	Amortized cost
Non-forgivable first mortgages	**$ 33,704,812**	$ 21,700,813	$ 24,506,368	$ 16,156,016
Non-forgivable second mortgages	**15,078,403**	2,797,408	14,797,233	2,459,318
Non-forgivable third mortgages	**2,729,781**	422,996	2,822,461	418,919
	51,512,996	24,921,217	42,126,062	19,034,253
Forgivable second mortgages	**8,545,546**	-	8,745,919	-
Forgivable third mortgages	**6,669,712**	-	6,764,584	-
	66,728,254	24,921,217	57,636,565	19,034,253
Less: current portion	(2,212,228)	(1,337,042)	(1,976,530)	(1,148,769)
	$ 64,516,026	$ 23,584,175	$ 55,660,035	$ 17,885,484

First mortgages bear no interest, are secured by a charge on the specific property and are receivable in monthly payments with a twenty, twenty-five or thirty year term. Monthly payments are set annually based on the partner family's income.

Second and third mortgages bear no interest, are secured by a charge on the specific property, and require no monthly payments with terms up to 99 years. Certain second and third mortgages issued by predecessor affiliates include terms for forgiveness. Forgiveness is contingent upon the occurrence of certain future events including the length of occupancy by the homeowner. The forgivable portion of any mortgage is valued at $Nil as the likelihood of collection is remote considering the forgivable feature. In the year that the forgivable portions are required to be paid, or the right to forgiveness has been forfeited, the previously forgivable portion will be recognized as mortgage realization.

All mortgages are non-interest bearing, however, due to the application of financial instrument accounting, imputed interest income on mortgages is imputed and recognized in the statement of operations over the life of the mortgage based on the prevailing interest rate in effect at the time of inception of the mortgage. Effectively, amortized cost is the present value of the expected cash flows of the financial instrument over the remaining life of the financial instrument discounted using the effective (or market) interest rate at the time of inception. As these financial instruments are non-interest bearing, this results in discounting the financial instrument and the recognition of interest income (financial asset) over the term of the instrument. Mortgages receivable are reduced by any payments made by the counter party.

Mortgages are measured at amortized cost, as follows:

- effective interest rates of 4.49% to 7.81%;
- monthly payment for the subsequent year; and
- mortgage terms to a maximum of 35 years.

4. Projects under development

	2016	2015
8600 Torbram Road South	**$ 5,512,268**	$ 4,660,645
136-140 Pinery Trail	**4,722,149**	3,505,963
357 Birchmount Avenue	**4,246,498**	2,504,414
3385 Dundas Street West	**3,734,870**	3,614,470
59 McLaughlin Road North	**710,276**	666,987
Kennedy Road	**492,971**	-
Dalton Road	**295,313**	260,527
Sunny Meadow	**5,500**	-
Various projects and construction inventory	**38,513**	59,041
960-970 Brimley Road	**-**	6,953,710
270-280 McLevin Avenue	**-**	1,865,091
Hoskins Square	**-**	907,802
302 Andrew Street	**-**	421,794
6554 Main St. Stouffville	**-**	216,800
Albion Road	**-**	117,547
	$ 19,758,358	$ 25,754,791

Sale and transfer to a partner family is recognized when Habitat has transferred the significant risks and rewards of home ownership, in that all significant acts have been completed and Habitat retains no continuing managerial involvement in, or effective control of, the home to a degree usually associated with ownership, and reasonable assurance exists regarding the measurement of consideration. Generally, this occurs upon transfer of property title to the partner family. Title transfer for condominium units occurs after occupancy.

As of the year end, certain projects have been occupied as follows:
• 357 Birchmount Avenue was fully occupied; and
• 8600 Torbram Road South had 13 units occupied out of 18 total units.

During the fiscal 2015 year, Habitat entered into an agreement with a developer to sell 3385 Dundas West for cash and for 10% of the residential floor space to be provided to Habitat at no cost. The agreement is to close in 2017.

During the year, loan interest of $271,591 (2015 - $323,955) has been capitalized to the cost of various projects.

5. Capital assets

			2016	2015
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Land - 155 Bermondsey Road	$ 1,788,876	$ -	**$ 1,788,876**	$ 1,788,876
Building - 155 Bermondsey Road	4,551,299	545,537	**4,005,762**	4,096,803
Automotive	506,042	413,338	**92,704**	133,408
Machinery and equipment	382,217	272,282	**109,935**	98,851
Computers and software	349,475	290,109	**59,366**	65,608
Furniture and fixtures	138,664	91,116	**47,548**	58,057
Leasehold improvements	400,296	297,382	**102,914**	122,237
	$ 8,116,869	$ 1,909,764	**$ 6,207,105**	$ 6,363,840

6. Bank indebtedness

Habitat has a revolving demand credit facility in the amount of $200,000 at December 31, 2016 (2015 - $200,000). The facility bears interest at the prime rate and is secured by a general security agreement.

Habitat has access to letters of credit/letters of guarantee bearing interest at 1%, to a combined maximum of $1,130,000 (2015 - $2,060,000). The balance outstanding under these letters at December 31, 2016 was $Nil (2015 - $Nil). The credit facility is secured by a general security agreement over all assets other than real property. As at December 31, 2016, Habitat has letters of guarantee outstanding under the facility in the amount of $948,530 (2015 - $619,242).

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities at December 31, 2016 are government remittances of $24,796 (2015 - $37,177).

8. **Long-term debt**	**2016**	2015
155 Bermondsey Road mortgage - multiple tranches, bearing interest at 2.55% to 3.05%, requires blended monthly payments of $27,815, based on 20-year amortization, maturing July 2021 and November 2021	**$ 4,367,941**	$ 2,432,196
Term loan - bearing interest at bank prime rate plus 1.00%, requires monthly principal payments of $10,805, based on 7-year term, refinanced with 155 Bermondsey Road mortgage during fiscal 2016	**-**	345,762
Term reducing loan - multiple draw downs, bearing interest at rates from 2.90% to 3.68%, requires blended monthly payments ranging from $1,829 to $19,140 based on 10-year to 15-year amortization, matures October 2017 to September 2020	**4,513,453**	5,017,502
Term revolving loan - multiple draw downs, bearing interest at 2.97% to 3.35%, requires monthly principal payments ranging from $434 to $13,154 based on a 15-year amortization, matures October 2019 September 2024	**4,562,920**	4,913,974
Construction loan - bearing interest at bank prime rate plus 1.50%, requires only interest payments until maturity, interest paid monthly, due December 2017. Secured by a first mortgage on 357 Birchmount	**1,959,104**	569,990
357 Birchmount mortgage - bearing interest at 6.00%, secured by a second mortgage on the property, due September 2017, no payments required until maturity, interest and principal will be forgiven upon transfer of property to partner family	**973,000**	973,000
357 Birchmount loan - non-interest bearing, secured by a third charge mortgage on the property, due November 2017, no repayment required until maturity	**225,000**	225,000
3385 Dundas mortgage - bearing interest at 5.00%, secured by a first charge mortgage on the property, due March 2017, no payments required until maturity	**1,200,000**	1,200,000
Brimley Road loan - non-interest bearing, secured by a first charge mortgage on the property, transferred to homeowners upon sale of the property in fiscal 2016	**-**	375,000
Dalton Road mortgage - bearing interest at 4.50%, secured by a first mortgage on the property, requires only interest payments until maturity, interest paid quarterly, matures April 2017.	**-**	150,000

8. Long-term debt (continued)

Term loan - bearing interest at 2.98%, secured by an assignment of mortgages from the McLevin project, requires blended monthly payments of $7,157, based on a 20-year amortization, due September 2021	**1,283,147**	-
	19,084,565	16,202,424
Less current portion	**5,373,464**	4,430,598
Due beyond one year	**$ 13,711,101**	$ 11,771,826

Habitat's facility at 155 Bermondsey has financing consisting of a mortgage payable secured by collateral mortgage. Interest on these loans amounting to $105,309 is included with facilities expense for the year ended December 31, 2016 (2015 - $74,395).

The debt on the 155 Bermondsey property and the term reducing and term revolving loans are also secured by a general security agreement.

The third mortgage at 357 Birchmount is transferable to partner families on a pro-rata basis upon transfer of property title. The mortgage may be discharged prior to the stated maturity date subject to Habitat constructing affordable housing for a set number of Habitat families, as specified in the agreement.

Total interest for the year was $549,416 (2015 - $514,080), of that amount $271,591 (2015 - $323,955) was capitalized to projects.

Estimated principal repayments are as follows:

2017	$ 5,373,464
2018	2,675,680
2019	3,166,852
2020	3,306,624
2021	3,538,722
Subsequent years	1,023,223
	$ 19,084,565

The 2017 repayment includes $3,498,000 which will be discharged from sources other than operating cash flows as follows:

• 357 Birchmount - second mortgage of $973,000 to be forgiven and third mortgage of $225,000 to be transferred to family homeowners;
• 357 Birchmount - construction loan of $1,959,104 to be repaid from $1,100,000 term loan monthly payment for the subsequent year; and
• 3385 Dundas - mortgage of $1,200,000 repaid from sale of the property in March 2017.

9. Deferred contributions

Deferred contributions includes restricted donations which remain unspent at year end.

	2016	2015
Deferred ReStore revenue	**$ 40,891**	$ 20,980
Deferred contributions designated for projects	**656,805**	108,800
Deferred contributions for capital asset purchases	**315,876**	363,937
	$ 1,013,572	$ 493,717

10. Donations and fundraising

	2016	2015
Donations	**$ 4,706,911**	$ 5,853,209
Fundraising events	**105,533**	136,579
Recognition (deferral) of contributions for project costs	**(499,944)**	358,575
	4,312,500	6,348,363
Gifts in kind - Habitat for Humanity Canada (Note 11)	**184,148**	296,964
Gifts in kind - other	**804,568**	318,784
	$ 5,301,216	$ 6,964,111

Habitat records donated goods when a fair value can be reasonably estimated and they would have otherwise been purchased. During the year, Habitat recognized the value of donated goods which were used in the construction of projects under development.

11. Habitat for Humanity Canada

Habitat is an affiliate of Habitat for Humanity Canada (HFHC). There is a covenant agreement between HFHC and all Canadian affiliates whereby HFHC provides administrative and marketing support, training opportunities and gift in kind coordination. Pursuant to the by-laws of HFHC which was updated effective March 10, 2015, Habitat pays an affiliation fee consisting of $12,500 per annum, per vote, 20% on all nationally procured gifts in kind used for homebuilding and 15% on nationally procured gift in kind sold through the ReStores, 20% on nationally raised donations, and a range of 2.5% to 5% of the gross ReStore outlet sales, paid quarterly. Amounts due to HFHC under these various agreements but not yet paid amounted to $219,970 at December 31, 2016 (2015 - $158,836) and is included in accounts payable and accrued liabilities. Habitat also contributes a tithe for international work in the amount of $1,000 per home.

12. Allocation of support expenses

During the year ended December 31, 2016, salaries, benefits, facilities expenses and affiliation fees were allocated to various activities as follows:

	Salaries and benefits	Facilities	Affiliation fees	2016	2015
Administrative	$ 180,447	$ 52,227	$ 126,923	$ 359,597	$ 384,183
Fundraising	326,575	-	-	326,575	378,613
Program	478,173	152,345	508,826	1,139,344	1,075,145
ReStore	-	110,422	-	110,422	123,741
	$ 985,195	$ 314,994	$ 635,749	$ 1,935,938	$ 1,961,682

Facilities expense includes rent, loan interest, realty taxes, utilities, insurance, amortization, maintenance and communication costs relating to Habitat's building located at 155 Bermondsey Road in Toronto.

Affiliation fees paid to Habitat for Humanity Canada relate to an agreement as described in Note 11.

13. Financial instruments

The disclosures below provide information that assists the users of these financial statements in assessing the extent of risk related to financial instruments.

Foreign exchange risk

Habitat holds cash denominated in US dollars of $512 at December 31, 2015 (2015 - $2,053). The carrying value of cash may change due to fluctuations in foreign exchange rates.

Credit risk

Habitat is exposed to credit risk in the event of non-payment of mortgages by the partner families or from non-collection of accounts receivable. Management believes that the credit risk from non-collection of mortgages is minimal as the carrying value of the mortgages is substantially less than the value of the underlying homes. Further, the credit risk arising from non-payment of accounts receivable balances is minimal as the amounts are due primarily from government bodies. The allowance for doubtful accounts included in accounts receivable at December 31, 2016 was $Nil (2015 - $Nil).

Interest rate risk

Habitat is exposed to fluctuations in interest rates as the banking facilities bear interest at variable rates. The mortgages receivable are measured at amortized cost using the effective interest rate at inception of the mortgage, therefore bear interest rate risk relating to subsequent changes to prevailing market interest rates.

14. Commitments

Habitat is committed under lease agreements for ten of its ReStore locations and one office location, expiring between 2019 and 2021. Total lease payments required in the next five years, net of taxes and operating costs, are as follows:

2017	$ 927,560
2018	929,108
2019	932,250
2020	680,606
2021	349,741
	$ 3,819,265

15. Contingencies

Habitat, 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 Habitat and its results of operations.

16. Comparative figures

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2016 financial statements.

Schedule of Net Contribution from ReStore — **Schedule 1**

	2016	2015
Revenue	**$ 6,576,748**	$ 6,515,820
Store expenses		
Amortization	**47,001**	47,940
Cleaning and disposal	**55,073**	47,803
Credit card commission	**51,302**	53,218
Facilities	**1,333,741**	1,328,949
Insurance	**7,190**	8,798
Office	**98,060**	92,161
Salaries and benefits	**1,411,836**	1,379,670
	3,004,203	2,958,539
Income from stores	**3,572,545**	3,557,281
Management, salvage and overhead costs		
Advertising	**43,267**	63,396
Amortization	**9,924**	38,057
Computer	**9,273**	6,459
Mgmt, salvage and overhead - trucking and salvage	**227,597**	193,145
Other	**53,966**	56,570
Professional fees	**7,375**	7,442
Salaries and benefits	**1,232,245**	1,145,818
	1,583,647	1,510,887
Net contribution	**$ 1,988,898**	$ 2,046,394

Habitat for Humanity Greater Toronto Area
Schedules to the Financial Statements

Year ended December 31

Schedule of Administrative Expenditures **Schedule 2**

	2016	2015
Affiliation fees (Note 11)	**$ 126,923**	$ 86,813
Amortization	**17,275**	21,476
Board expense	**448**	3,476
Computer expense	**37,220**	27,116
Facilities	**65,306**	(2,954)
Insurance	**4,536**	3,819
Office	**95,479**	61,239
Professional fees	**26,043**	68,096
Salaries and benefits	**573,034**	560,636
	$ 946,264	$ 829,717

Schedule of Fundraising Expenditures **Schedule 3**

	2016	2015
Advertising and promotion	**$ 34,665**	$ 67,265
Computer expense	**47,541**	9,921
Fundraising events	**121,599**	106,565
Office and general	**215,197**	195,372
Professional fees	**260**	925
Salaries and benefits	**1,318,177**	1,077,697
Training and development	**3,679**	35,601
Travel	**7,182**	6,972
	$ 1,748,300	$ 1,500,318

Habitat for Humanity Greater Toronto Area
Schedules to the Financial Statements

Year ended December 31

Schedule of Program Expenditures **Schedule 4**

	2016	2015
Advertising and promotion	**$ 51,874**	$ 69,061
Affiliation fee (Note 11)	**508,826**	360,018
Amortization	**153,630**	138,992
Computer expense	**69,694**	88,770
Facilities	**132,719**	138,584
Insurance	**23,131**	34,458
Interest	**271,437**	169,264
Office	**89,288**	95,921
Other expenses	**1,587**	219,425
Professional fees	**88,697**	56,066
International support	**26,000**	1,342
Salaries and benefits	**1,857,094**	1,623,715
Training & development	**16,243**	11,603
Travel	**107,538**	86,817
Volunteer services	**72,941**	86,877
Warranty	**2,272**	4,658
	$ 3,472,971	$ 3,185,571