Habitat for Humanity Greater Toronto Area
Financial Statements
For the year ended December 31, 2017

Contents

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Independent Auditor's Report

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, 2017 and 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 evidence we have obtained 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, 2017 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 Matters

The financial statements of Habitat for Humanity Greater Toronto Area for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on May 26, 2017.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
April 23, 2018

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Habitat for Humanity Greater Toronto Area
Statement of Financial Position

December 31	2017	2016
Assets		
Current assets		
Cash and cash equivalents	**$ 3,180,889**	$ 2,298,094
Accounts receivable	**855,953**	1,071,371
Prepaid expenses	**320,036**	272,425
Current portion of mortgages receivable (Note 2)	**1,285,497**	1,337,042
	5,642,375	4,978,932
Mortgages receivable (Note 2)	**26,037,766**	23,578,243
Projects under development (Note 3)	**23,560,320**	19,758,358
Capital assets (Note 4)	**6,231,291**	6,207,105
	$ 61,471,752	$ 54,522,638

	2017	2016
Liabilities and Net Assets		
Current liabilities		
Bank indebtedness (Note 5)	**$ 195,000**	$ 200,000
Accounts payable and accrued liabilities (Notes 6 and 12)	**3,236,781**	2,276,018
Current portion of long-term debt (Note 7)	**1,057,027**	5,373,464
Current portion of obligations under capital lease (Note 15)	**73,803**	19,855
	4,562,611	7,869,337
Deferred contributions (Note 8)	**154,635**	697,696
Deferred capital contributions (Note 9)	**309,793**	315,876
Long-term debt (Note 7)	**15,099,844**	13,711,101
Obligations under capital lease (Note 15)	**206,593**	816
	20,333,476	22,594,826
Net assets		
Invested in projects under development (Note 10)	**38,579,693**	29,100,214
Invested in capital assets (Note 11)	**1,484,321**	1,502,617
Unrestricted	**1,074,262**	1,324,981
	41,138,276	31,927,812
	$ 61,471,752	$ 54,522,638

On behalf of the Board:

Director

Director

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

Habitat for Humanity Greater Toronto Area
Statement of Operations

For the year ended December 31	2017	2016
Revenue		
Donations and fundraising	**$ 4,702,393**	$ 4,812,443
Donations in kind - materials, fees and services	**1,278,826**	564,716
Recognition (deferral) of restricted donations, net	**536,028**	(527,147)
Interest and other	**75,049**	55,443
Government grants	**2,269,662**	466,000
ReStore revenues (Schedule 1)	**6,977,080**	6,603,946
	15,839,038	11,975,401
Expenditures		
Administrative (Schedule 2)	**1,340,202**	993,091
Fundraising (Schedule 3)	**1,755,347**	1,708,468
Program (Schedule 4)	**3,491,695**	3,491,018
ReStore expenses (Schedule 1)	**4,895,970**	4,562,799
	11,483,214	10,755,376
Excess of revenue over expenditures before undernoted income (expenditures)	**4,355,824**	1,220,025
Home sales and related activities		
Proceeds from sales	**7,842,630**	11,670,531
Development costs of homes transferred	**(7,104,935)**	(12,193,556)
Write-down of mortgages receivable to amortized cost (Note 2)	**(3,126,979)**	(4,505,385)
Imputed interest income on mortgages receivable (Note 2)	**1,259,895**	995,301
Mortgage realization (Note 2)	**631,029**	685,634
Forgiveness of mortgage (Note 7)	**973,000**	-
Donations in kind - land and homes	**4,380,000**	424,000
	4,854,640	(2,923,475)
Excess (deficiency) of revenue over expenditures	**$ 9,210,464**	$ (1,703,450)

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

For the year ended December 31

	Invested in projects under development (Note 10)	Invested in capital assets (Note 11)	Unrestricted	2017 Total	2016 Total
Net assets, beginning of year	$ 29,100,214	$ 1,502,617	$ 1,324,981	$ 31,927,812	$ 33,631,262
Excess (deficiency) of revenue over expenditures	479,586	(338,861)	9,069,739	9,210,464	(1,703,450)
Investment in projects under development	11,481,722	-	(11,481,722)	-	-
Purchase of capital assets, net of capital lease advances	-	47,202	(47,202)	-	-
Mortgage principal received, net	(4,548,423)	-	4,548,423	-	-
Proceeds from long-term debt	(1,897,394)	-	1,897,394	-	-
Repayment of long-term debt	3,415,927	211,160	(3,627,087)	-	-
Amortization of deferred contributions	543,061	-	(543,061)	-	-
Payment of capital lease obligations	-	62,203	(62,203)	-	-
Repayment of bank indebtedness	5,000	-	(5,000)	-	-
Net assets, end of year	$ 38,579,693	$ 1,484,321	$ 1,074,262	$ 41,138,276	$ 31,927,812

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

Habitat for Humanity Greater Toronto Area
Statement of Cash Flows

For the year ended December 31	2017	2016
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures for the year	$ 9,210,464	$ (1,703,450)
Adjustments required to reconcile excess (deficiency) of revenue over expenditures with cash provided by operating activities		
Amortization	290,611	227,830
Gifts in kind	(5,658,826)	(937,281)
Deferred contributions	(543,061)	(482,551)
Amortization of deferred contributions for projects costs and capital assets	(6,083)	(48,061)
Forgiveness of mortgage	(973,000)	-
Loss (gain) on transfer of projects under development	(737,695)	523,025
Imputed interest income on mortgages receivable	(1,259,895)	(995,301)
Mortgage realization	(631,029)	(685,634)
Proceeds received on sale of projects under development and capital asset disposal	-	675,000
Write-down of mortgages receivable to amortized cost	3,126,979	4,505,385
Loss on disposal of capital assets	54,331	-
Changes in non-cash working capital balances		
Accounts receivable	215,418	53,437
Prepaid expenses	(47,611)	(42,036)
Accounts payable and accrued liabilities	960,763	(480,194)
	4,001,366	610,169
Investing activities		
Mortgage payments received	4,548,423	3,330,950
Expenditures on projects under development	(5,822,896)	(5,259,842)
Purchase of capital assets, net of capital lease advances	(47,202)	(71,095)
	(1,321,675)	(1,999,987)
Financing activities		
Proceeds from long-term debt	1,897,394	4,755,196
Repayment of long-term debt	(3,627,087)	(1,869,421)
Repayment of capital lease obligation	(62,203)	(16,268)
Bank indebtedness	(5,000)	-
	(1,796,896)	2,869,507
Increase in cash and cash equivalents	882,795	1,479,689
Cash and cash equivalents, beginning of year	2,298,094	818,405
Cash and cash equivalents, end of year	$ 3,180,889	$ 2,298,094
Represented by:		
Cash	$ 840,889	$ 496,398
Cash equivalents	2,340,000	1,801,696
	$ 3,180,889	$ 2,298,094

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

1. Significant Accounting Policies

Nature of Operations

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

The Mission of Habitat is to mobilize volunteers and communities to help working, lower income families build strength, stability and self-reliance through affordable home ownership. In order to support administrative and fundraising efforts, Habitat also operates retail stores, which sell donated new and used materials called ReStores.

Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition.

Financial Instruments

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

Financial instruments obtained in arm's length transactions are initially measured at their fair value and financial assets or liabilities obtained in a related party transactions are measured at their exchange amount. Habitat subsequently measures all of its financial instruments at amortized cost less impairment. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

Transaction costs incurred on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

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 determined.

1. Significant Accounting Policies (continued)

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	straight-line basis over the term of the lease to a maximum of ten years

Revenue Recognition

Habitat follows the deferral method of accounting. Unrestricted donations are recognized as revenue when received or receivable. Restricted donations are recognized as revenue in the year in which the related expenditures are incurred. Deferred contributions represents unspent restricted donations. The amount of any pledges are not recognized as revenue until collection is assured.

Deferred capital contributions arise from funds that have been received that are to be used to fund capital asset purchases. Deferred capital contributions are recognized over the estimated useful life of the corresponding capital asset.

The ReStores sell donated new and used materials. Revenue from ReStores 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.

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 capital contributions related thereto.

Unrestricted net assets represents the residual net assets of Habitat.

1. **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's (HFHC) gifts in kind program, are recorded at the fair value estimated by HFHC.

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

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

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).

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 expenditures during the year. Actual results could differ from those estimates. Significant estimates may include donated items, the recoverability and useful life of capital assets and projects under development.

2. Mortgages Receivable

	2017		2016	
	Face Value	**Amortized Cost**	Face Value	Amortized Cost
Non-forgivable first mortgages	**$ 39,086,758**	**$ 24,224,825**	$ 33,704,812	$ 21,694,881
Non-forgivable second mortgages	**14,637,270**	**2,668,140**	15,078,403	2,797,408
Non-forgivable third mortgages	**2,586,378**	**430,298**	2,729,781	422,996
	56,310,406	**27,323,263**	51,512,996	24,915,285
Forgivable second mortgages	**8,410,481**	**-**	8,545,546	-
Forgivable third mortgages	**6,594,839**	**-**	6,669,712	-
	71,315,726	**27,323,263**	66,728,254	24,915,285
Less: current portion	**2,385,109**	**1,285,497**	2,212,228	1,337,042
	$ 68,930,617	**$ 26,037,766**	$ 64,516,026	$ 23,578,243

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, imputed interest income on mortgages is calculated 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. 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. Mortgages that are repaid earlier than scheduled payments will result in the realization of the amortized cost on the Statement of Operations.

Mortgages are measured at amortized cost, as follows:

- effective interest rates of 0.90% to 7.81%;
- monthly payment for the subsequent year; and
- mortgage terms to a maximum of 35 years

3. Projects Under Development

	2017	2016
136 -140 Pinery Trail	**$ 8,608,493**	$ 4,722,149
8600 Torbram Road South	**6,240,614**	5,512,268
3385 Dundas Street West	**4,592,046**	3,734,870
59 McLaughlin Road North	**2,423,214**	710,276
Kennedy Road	**1,199,344**	492,971
Dalton Road	**382,858**	295,313
3060 Eglinton Avenue East	**56,878**	-
25 William Street	**53,891**	-
1800 St. Clair Ave West/383 - 425 Old Weston Road	**2,250**	-
Various projects and construction inventory	**732**	38,513
357 Birchmount Road	**-**	4,246,498
Sunny Meadow	**-**	5,500
	$ 23,560,320	$ 19,758,358

As of the year end, all of the units of the 8600 Torbram Road South and 136 Pinery Trail, Phase 1 have been occupied. The title to these units will be transferred to the homeowners upon registration of the condominiums.

During the year, loan interest of $116,640 (2016 - $271,591) has been capitalized to the cost of various projects.

4. Capital Assets

	2017		2016	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land - 155 Bermondsey Rd	**$ 1,788,876**	**$ -**	$ 1,788,876	$ -
Building - 155 Bermondsey Rd	**4,551,299**	**636,563**	4,551,299	545,537
Automotive	**750,722**	**426,944**	506,042	413,338
Machinery and equipment	**207,707**	**141,270**	382,217	272,282
Computers and software	**131,066**	**85,282**	349,475	290,109
Furniture and fixtures	**96,124**	**60,448**	138,664	91,116
Leasehold improvements	**306,844**	**250,840**	400,296	297,382
	$ 7,832,638	**$ 1,601,347**	$ 8,116,869	$ 1,909,764
Net book value		**$ 6,231,291**		$ 6,207,105

Included in automotive are assets under capital lease of $263,171 (2016 - $19,277).

5. Bank Indebtedness

Habitat has a revolving demand credit facility in the amount of $200,000 (2016 - $200,000). The facility bears interest at the prime rate and is secured by a general security agreement. In 2017, $195,000 (2016 - $200,000) was utilized.

Habitat has access to letters of credit/letters of guarantee bearing a fee of 1%, to a combined maximum of $1,130,000 (2016 - $1,130,000). The credit facility is secured by a general security agreement over all assets other than real property. As at December 31, 2017, Habitat has letters of credit outstanding under the facility in the amount of $1,051,732 (2016 - $948,530).

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances and HST payable of $278,946 (2016 - $564,546).

7. Long-term Debt

	2017	2016
155 Bermondsey Road Mortgage - multiple tranches, bearing interest at 2.55% to 3.05%, secured by the property and a general security agreement, requires blended monthly payments of $22,498, based on 20-year amortization, maturing March 2031 and November 2036	**$ 4,156,781**	$ 4,367,941
Term reducing loan - multiple draw downs, bearing interest at 2.90% to 3.85%, secured by a general security agreement, requires blended monthly payments ranging from $1,829 to $19,140 based on 10-year to 15-year amortization, matures October 2023 to July 2030	**4,101,649**	4,513,453
Term revolving loan - multiple draw downs, bearing interest at 2.97% to 3.41%, secured by a general security agreement, requires monthly principal payments ranging from $434 to $13,154 based on a 15-year amortization, matures November 2028 to April 2030	**3,655,560**	4,562,920
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	**1,234,482**	1,283,147
Term loan - bearing interest of 4.92%, secured by assignment of mortgages recoverable at 357-373 Birchmount Road, requires monthly blended payments of $6,380 and matures October 2022	**1,098,068**	-
Term loan - multiple tranches, bearing interest at a rate equal to the greater of the prime lending rate of TD Bank plus 0.50% or 3.50%, secured by assignment of mortgage receivable from 136 Pinery Trail, requires monthly principal payments ranging from $1,667 to $2,500, based on 20-year amortization, maturing October 2022	**1,097,917**	-
Construction loan - bearing interest at bank prime rate plus 1.50%, secured by a general security agreement, requires only interest payments until maturity, interest paid monthly, due on demand	**812,414**	-
Construction loan - bearing interest at 1.5%, secured by a mortgage on 357 Birchmount	**-**	1,959,104
3385 Dundas mortgage - bearing interest at 5.00%, secured by a first charge mortgage on the property, due March 2017, no payments required until maturity	**-**	1,200,000
Balance to carry forward	**$ 16,156,871**	$ 17,886,565

7. Long-term Debt (continued)

	2017	2016
Balance carried forward	**$ 16,156,871**	$ 17,886,565
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
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
	16,156,871	19,084,565
Less: current portion	**1,057,027**	5,373,464
	$ 15,099,844	$ 13,711,101

Habitat's facility at 155 Bermondsey Road has financing consisting of a mortgage payable secured by collateral mortgage. Interest on these loans amounting to $124,054 (2016 - $105,309) is included with facilities expense.

Total interest for the year was $518,899 (2016 - $549,416). Of that amount $116,640 (2016 - $271,591) was capitalized to projects (Note 3).

During the year, Habitat fulfilled the conditions for forgiveness of the 357 Birchmount mortgage, which has been recognized on the Statement of Operations in the amount of $973,000.

Regular principal payments required over the next five years and thereafter are as follows:

2018	$ 1,057,027
2019	1,086,784
2020	1,119,679
2021	2,179,919
2022	2,925,581
Thereafter	7,787,881
	$ 16,156,871

8. Deferred Contributions

	2017	2016
Deferred ReStore revenue	**$ 45,835**	$ 40,891
Deferred contributions designated for projects	**108,800**	656,805
	$ 154,635	$ 697,696

9. Deferred Capital Contributions

	2017	2016
Balance, beginning of year	**$ 315,876**	$ 363,937
Amortization	**(6,083)**	(48,061)
Balance, end of year	**$ 309,793**	$ 315,876

10. Invested in Projects Under Development

Funds invested in projects under development consists of the following:

	2017	2016
Projects under development	**$ 23,560,320**	$ 19,758,358
Mortgages receivable	**27,323,263**	24,915,285
Less:		
Bank indebtedness	**(195,000)**	(200,000)
Deferred contributions	**(108,800)**	(656,805)
Long-term debt less 155 Bermondsey Road mortgage	**(12,000,090)**	(14,716,624)
	$ 38,579,693	$ 29,100,214

11. Invested in Capital Assets

Invested in capital assets consists of the following:

	2017	2016
Capital assets	**$ 6,231,291**	$ 6,207,105
Less:		
Deferred capital contributions	**(309,793)**	(315,876)
Long-term debt for 155 Bermondsey Road mortgage	**(4,156,781)**	(4,367,941)
Obligations under capital lease	**(280,396)**	(20,671)
	$ 1,484,321	$ 1,502,617

12. 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 gifts in kind coordination. Pursuant to the by-laws of HFHC which were updated effective March 10, 2015, Habitat pays an affiliation fee consisting of $50,000 per annum, 20% on all nationally procured gifts in kind used for homebuilding, 15% on nationally procured gifts in kind sold through the ReStores, 20% on nationally raised donations, and quarterly, a range of 2.5% to 4% of gross ReStore sales. Amounts due to HFHC under these various agreements but not yet paid, amounted to $64,651 (2016 - $219,970) and is included in accounts payable and accrued liabilities. In addition to supporting staff and volunteers participating in a Global Village build, Habitat also contributed to HFHC a tithe for international work in the amount of $1,000 per home.

13. Allocation of Support Expenses

Salaries, benefits, facility expenses and affiliation fees were allocated to various activities in Schedules 2, 3 and 4 as follows:

	Salaries and benefits	**Facility**	**Affiliation fees**	**2017**	2016
Administrative	**$ 904,662**	**$ 88,628**	**$ 118,366**	**$ 1,111,656**	$ 804,647
Fundraising	**1,356,432**	**-**	**-**	**1,356,432**	1,281,540
Program	**1,828,309**	**150,399**	**510,315**	**2,489,023**	2,638,066
Total	**$ 4,089,403**	**$ 239,027**	**$ 628,681**	**$ 4,957,111**	$ 4,724,253

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 the agreement described in Note 12.

14. Lease Commitments

Minimum annual payments due under lease agreements for the 10 ReStore locations and the office for the next four years are as follows:

2018	$ 953,606
2019	885,175
2020	583,951
2021	288,684
	$ 2,711,416

15. Obligations Under Capital Lease

Habitat has entered into lease agreements for a photocopier and vehicles which requires monthly payments of principal and interest. The leases have interest rates ranging from 3.85% - 7.16% expiring in 2018 - 2023, at which time there is an option to purchase the assets. The lease is secured by the underlying assets.

The future minimum lease payments are as follows:

2018	$ 73,803
2019	73,143
2020	73,143
2021	36,565
2022	33,240
2023	24,930
	314,824
Less: imputed interest	34,428
	280,396
Less: current portion	73,803
	$ 206,593

During the year, Habitat paid interest on the capital leases of $8,060 (2016 - $1,286).

16. Financial Instruments Risks

Credit risk

Credit risk is the risk that one party to a financial instruments will cause a financial loss for the other party by failing to discharge and obligation. Habitat is exposed to credit risk arising from its accounts receivable. Habitat is also exposed to credit risk arising in the event of non-payment of mortgages by the partner families. 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. This risk has not changed from the prior year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Habitat is exposed to interest rate risk on its fixed and variable interest rate financial instruments. The variable rate revolving demand credit facility exposes Habitat to a cash flow risk, while the fixed rate long-term debt subjects Habitat to a fair value risk. This risk has not changed from the prior year.

17. 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.

18. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's method of presentation.

Habitat for Humanity Greater Toronto Area
Schedule 1 - ReStore

December 31, 2017

	2017	2016
ReStore revenues	**$ 6,977,080**	$ 6,603,946
ReStore expenses		
Advertising	**39,945**	33,394
Amortization	**149,815**	56,918
Cleaning and disposal	**62,209**	53,386
Computer	**35,323**	20,458
Credit card commission	**57,783**	51,204
Facility	**55,168**	27,421
Insurance	**4,297**	7,164
Loss on disposal of capital assets	**25,723**	-
Office/Store	**88,008**	135,036
Other	**99,621**	95,467
Professional fees	**-**	7,624
Rent and utilities	**1,441,388**	1,320,935
Salaries and benefits	**2,600,308**	2,576,258
Truck and salvage	**236,382**	177,534
Total expenses	**4,895,970**	4,562,799
Net contribution	**$ 2,081,110**	$ 2,041,147

Habitat for Humanity Greater Toronto Area
Schedules 2, 3, 4

December 31, 2017

Schedule 2 - Administrative Expenditures

	2017	2016
Affiliation fees (Note 12)	**$ 118,366**	$ 126,923
Amortization	**27,767**	23,806
Computer service	**88,838**	37,261
Facility	**88,628**	93,306
Insurance	**862**	3,443
Office and general	**82,548**	95,942
Professional fees	**28,531**	27,992
Salaries and benefits	**904,662**	584,418
Total	**$ 1,340,202**	$ 993,091

Schedule 3 - Fundraising Expenditures

	2017	2016
Amortization	**$ 134**	$ -
Communications	**141,310**	148,225
Computer service	**57,642**	46,963
Donor recognition	**26,328**	50,350
Office and general	**166,983**	179,467
Professional fees	**6,518**	1,923
Salaries and benefits	**1,356,432**	1,281,540
Total	**$ 1,755,347**	$ 1,708,468

Schedule 4 - Program Expenditures

	2017	2016
Affiliation fees (Note 12)	**$ 510,315**	$ 534,826
Amortization	**112,731**	147,099
Communications	**56,069**	53,836
Computer service	**81,229**	61,536
Facility	**150,399**	179,464
Insurance	**14,255**	15,826
Interest	**267,287**	208,343
Loss on disposal of capital assets	**28,608**	-
Office and general	**345,736**	274,333
Professional fees	**88,004**	88,697
Salaries and benefits	**1,828,309**	1,923,776
Warranty	**8,753**	3,282
Total	**$ 3,491,695**	$ 3,491,018