HABITAT FOR HUMANITY HALTON/MISSISSAUGA

Financial Statements
for the Year Ended December 31, 2015
and Independent Auditors' Report to the Directors

DURWARD JONES BARKWELL & COMPANY LLP Chartered Professional Accountants

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

FINANCIAL STATEMENTS
DECEMBER 31, 2015

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CHARTERED
PROFESSIONAL
ACCOUNTANTS

DURWARD JONES BARKWELL
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

INDEPENDENT AUDITORS' REPORT

To the Directors of
Habitat for Humanity Halton/Mississauga:

We have audited the financial statements of Habitat for Humanity Halton/Mississauga, which comprise the statement of financial position as at December 31, 2015 and the statements of operations, changes in net assets and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for 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 auditors' 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 qualified audit opinion.

Basis for Qualified Opinion
In common with many charitable organizations, Habitat for Humanity Halton/Mississauga derives revenue from certain activities, including donations and ReStore sales, 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 Halton/Mississauga. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2015 and 2014, current assets as at December 31, 2015 and 2014 and net assets as at January 1 and December 31, for both the 2015 and 2014 years. Our audit opinion on the financial statements for the year ended December 31, 2014 was modified accordingly because of the possible effects of this limitation in scope.

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 Halton/Mississauga as at December 31, 2015, 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.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

May 25, 2016

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2015

	2015	2014
REVENUE		
Amortization of deferred donations (Note 11)	**$ 324,454**	$ 188,372
Amortization of deferred grants (Note 12)	**17,812**	35,562
Donations - cash	**295,737**	106,913
Donations - in kind	**13,492**	42,244
Interest and other income	**5,731**	6,617
Rental	**13,280**	22,932
ReStore operations - page 18	**1,379,541**	678,049
	2,050,047	1,080,689
EXPENSES		
Amortization	**6,652**	3,066
Bank charges and interest	**13,603**	7,898
Community awareness and education	**17,394**	47,994
Depreciation	**30,470**	32,687
Facilities	**51,673**	50,688
Family partnering program	**13,983**	27,816
Global village	**10,037**	15,428
Habitat for Humanity Canada affiliation fees	**30,250**	26,153
Insurance	**6,337**	2,704
Interest on obligation under capital lease	**588**	804
Office and miscellaneous	**39,717**	21,823
Personnel (program and administration)	**717,369**	775,255
Professional fees	**138,067**	52,236
Rental	**2,579**	3,657
Resource development	**362,296**	373,458
Sales tax not recovered	**55,854**	38,344
Tithe for international projects	**81,119**	16,173
Vehicle	**19,072**	20,334
Volunteer expenses	**183,621**	103,330
	1,780,681	1,619,848
EXCESS OF REVENUE OVER EXPENSES (EXCESS OF EXPENSES OVER REVENUE) BEFORE OTHER REVENUE (EXPENSES)	**269,366**	(539,159)
OTHER REVENUE (EXPENSES)		
Adjustment of mortgages receivable discount	**118,661**	105,115
Discount on new mortgages receivable	**(89,960)**	(279,190)
Excess of proceeds received over carrying value of properties	**140,073**	144,782
Loss on disposal of capital assets	**(87,530)**	(2,492)
Unrealized change in value of marketable securities	**632**	77
	81,876	(31,708)
EXCESS OF REVENUE OVER EXPENSES (EXCESS OF EXPENSES OVER REVENUE)	**$ 351,242**	$ (570,867)

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015

	Invested in Housing (1)	Invested in Capital Assets	Unrestricted	2015 Total	2014 Total
Balance, beginning of year	**$ 3,814,488**	**$ 143,309**	**$ 1,037,065**	**$ 4,994,862**	$ 5,565,729
Transfer of net assets received (Note 2)	**257,226**	**96,709**	**94,609**	**448,544**	-
Adjusted balance, beginning of year	**4,071,714**	**240,018**	**1,131,674**	**5,443,406**	5,565,729
Excess revenue over expenses (expenses over revenue)	**168,774**	**(146,431)**	**328,899**	**351,242**	(570,867)
Investment in housing	**1,642,288**	**-**	**(1,642,288)**	**-**	-
Repayments of mortgages	**(100,893)**	**-**	**100,893**	**-**	-
Investment in capital assets	**-**	**45,742**	**(45,742)**	**-**	-
Balance, end of year	**$ 5,781,883**	**$ 139,329**	**$ (126,564)**	**$ 5,794,648**	$ 4,994,862

(1) Invested in housing

	2015	2014
Property held for resale and buildings in progress	**$ 5,026,772**	$ 3,503,889
Current portion of mortgages receivable	**110,525**	82,721
Mortgages receivable	**2,144,586**	1,727,878
Current portion of vendor-take-back mortgage payable	**(300,000)**	-
Vendor-take-back mortgage payable	**(1,200,000)**	(1,500,000)
	$ 5,781,883	$ 3,814,488

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

	2015	2014
ASSETS		
Current assets		
Cash	$ 79,118	$ 410,306
Investments (Note 3)	54,713	506,518
Accounts receivable (Note 4)	105,012	195,927
Property held for resale and buildings in progress (Note 5)	5,026,772	3,503,889
Prepaid expenses and deposits	185,367	138,871
Demand note receivable (Note 2)	-	120,000
Current portion of mortgages receivable	110,525	82,721
	5,561,507	4,958,232
Mortgages receivable (Note 6)	2,144,586	1,727,878
Capital assets (Note 7)	317,435	373,879
Intangible asset (Note 8)	26,141	27,596
Property held for resale (Note 5)	595,440	595,440
	$ 8,645,109	$ 7,683,025
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	$ 496,138	$ 300,580
Current portion of deferred donations	46,015	82,901
Current portion of deferred grants	24,228	18,835
Current portion of obligation under capital lease	3,944	3,715
Current portion of vendor-take-back mortgages payable	300,000	-
	870,325	406,031
Deferred donations (Note 11)	118,746	95,225
Deferred grants (Note 12)	60,350	83,555
Obligation under capital lease (Note 13)	3,829	7,773
Vendor-take-back mortgages payable (Note 14)	1,200,000	1,500,000
Deferred contributions - property held for resale (Note 5)	597,211	595,579
Contingency (Note 15)		
	2,850,461	2,688,163
NET ASSETS		
Invested in housing	5,781,883	3,814,488
Invested in capital assets	139,329	143,309
Unrestricted	(126,564)	1,037,065
	5,794,648	4,994,862
	$ 8,645,109	$ 7,683,025

Approved by the Board:

.... Director .... Director

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Excess of revenue over expenses (excess of expenses over revenue)	**$ 351,242**	$ (570,867)
Items not affecting cash		
Donations - in kind	**(13,492)**	(42,244)
Amortization of deferred donations	**(240,567)**	(32,387)
Amortization of deferred grants	**(17,812)**	(35,562)
Amortization	**6,652**	3,066
Depreciation	**108,402**	97,215
Expenses - in kind	**13,492**	39,067
Adjustment of mortgages receivable discount	**(115,843)**	(105,115)
Discount on new mortgages receivable	**89,960**	279,190
Excess of proceeds received over carrying value of properties	**(140,073)**	(144,782)
Loss on disposal of capital assets	**92,955**	2,492
Unrealized change in value of marketable securities	**(632)**	(77)
Amortization of lease inducement	**(3,869)**	-
Write-off of obligation under capital lease	**(10,020)**	-
	120,395	(510,004)
Changes in non-cash operating assets and liabilities		
Accounts receivable	**111,224**	(119,932)
Prepaid expenses and deposits	**(29,590)**	35,383
Accounts payable and accrued liabilities	**186,213**	173,650
Deposits on homes	**-**	(1,647)
	388,242	(422,550)
INVESTING ACTIVITIES		
Cash received upon transfer of net assets	**159,575**	-
Net decrease (increase) in investments	**452,437**	(505,218)
Property held for resale and buildings in progress	**(1,523,653)**	(1,099,694)
Proceeds on sale of properties	**-**	235,251
Repayments of letter of credit receivable	**-**	1,975,022
Advances of demand note receivable	**-**	(120,000)
Repayments of mortgages receivable	**100,893**	66,394
Purchase of capital assets	**(48,504)**	(141,353)
Proceeds on disposal of capital assets	**300**	-
Purchase of intangible asset	**(5,197)**	(30,662)
	(864,149)	379,740
FINANCING ACTIVITIES		
Advances of operating line of credit	**-**	63,845
Repayments of operating line of credit	**-**	(63,895)
Receipt of deferred donations	**146,802**	155,415
Receipt of deferred contributions - property held for resale	**1,632**	-
Repayments of obligation under capital lease	**(3,715)**	(3,499)
	144,719	151,866
INCREASE (DECREASE) IN CASH	**(331,188)**	109,056
CASH, BEGINNING OF YEAR	**410,306**	301,250
CASH, END OF YEAR	**$ 79,118**	$ 410,306

Supplemental information is provided in Note 18.

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

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

Purpose of the organization
The Organization was incorporated as a corporation without share capital and is subject to the provisions of the Charities Accounting Act.

The primary objective of the Organization is to work within the Region of Halton and the Region of Mississauga in advancing the interests of the economically disadvantaged by constructing homes and accepting interest-free loans to pay for the homes. The prospective homeowner contributes "sweat equity" rather than a normal down payment, and provides a non-interest bearing mortgage on the home.

Change of name
The Organization changed its name from Habitat for Humanity Halton to Habitat for Humanity Halton/Mississauga, subsequent to the transfer of all assets and liabilities from Habitat for Humanity Mississauga as described in Note 2.

Revenue recognition
The Organization follows the deferral method of accounting for contributions. Restricted contributions and grants are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions, such as donations, fundraising and ReStore sales, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Organization recognizes rental and interest income on the accrual basis as earned.

Donated materials and services
The Organization receives donations of materials and services. Materials which would otherwise be paid for by the Organization are recorded at fair value when reasonably determinable. Donated ReStore items are not recorded as inventory in these financial statements, however, the revenue generated by donated ReStore items is recognized at the selling price at the time of sale. The value of services provided by the Organization's many volunteers are not reflected in these financial statements.

Property held for resale
Property held for resale, which includes land, buildings, and building materials, both purchased and donated, is recorded at the lower of cost and net realizable value. Interest costs incurred during the construction period are expensed as incurred. Interest costs incurred in the pre-construction period are capitalized as incurred.

Capital assets
Capital assets are recorded at cost. Depreciation is calculated using the declining balance method over their estimated useful lives at the rates indicated in Note 7. Leasehold improvements are depreciated on a straight-line basis over five years. In the year of acquisition, net additions are depreciated at one-half the normal rate.

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION - continued

Leased equipment
Long-term leases in which the Organization acquires substantially all the benefits and risks incident to ownership are accounted for as additions to equipment or leasehold improvements under capital lease. The asset value and related obligation are recorded at the present value of the future minimum lease payments using an appropriate discount rate. The asset is depreciated using the declining-balance method over the useful life of the asset at the rates indicated in Note 7. In the year of acquisition, depreciation is recorded at one half the normal rate.

Intangible asset
Intangible asset is stated at cost and amortized on a straight-line basis at the rate indicated in Note 8.

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 at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as revenue recognition, allowances for accounts receivable, collectibility of first, second and third mortgages receivable, amortization of mortgages receivable, determination of property write-down, determination of useful lives of capital assets, impairment of capital assets and accrued liabilities.

Financial instruments
(a) Measurement of financial instruments
The Organization initially measures its financial assets and financial liabilities at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributed to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are subsequently measured at fair value. Changes in fair value are recognized in excess of revenue over expenses.

The carrying values of mortgages receivable amount to the net present value of future anticipated cash flows calculated using the effective interest method. The net present value, or amortized cost, has been calculated using a discount rate equal to 2%. As the Organization is not seeking a rate of return on its investment in mortgages receivable, the only concern is the impact of inflation on its future cash receipts from repayment of the mortgages receivable and therefore, 2% is considered to be an appropriate discount rate.

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

Financial assets measured at fair value include investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and mortgages payable.

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION - continued

(b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. The write-down reflects the difference between the carrying amount and the higher of:

(a) the present value of the cash flows expected to be generated by the asset or group of assets;
(b) the amount that could be realized by selling the asset or group of assets;
(c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

2. TRANSFER OF NET ASSETS FROM HABITAT FOR HUMANITY MISSISSAUGA

Subsequent to the close of business on December 31, 2014, Habitat for Humanity Halton and Habitat for Humanity Mississauga entered into a transfer agreement, whereby all assets and liabilities associated with the operations and activities of Habitat for Humanity Mississauga were transferred to Habitat for Humanity Halton. In consideration of the transfer, Habitat for Humanity Halton changed its name to and continued operations as Habitat for Humanity Halton/Mississauga.

The net assets transferred from Habitat for Humanity Mississauga were as follows:

Assets	
Cash	$ 79,175
Cash held in trust	80,400
Accounts receivable	20,309
Property held for resale and buildings in progress	251,166
Prepaid expenses and deposits	16,906
Mortgages receivable	257,796
Capital assets	96,709
Liabilities	
Accounts payable and accrued liabilities	(9,345)
Demand note payable	(120,000)
Deferred revenue	(210,683)
Lease inducement	(3,869)
Obligation under capital lease	(10,020)
Net assets	$ 448,544
Net assets	
Invested in housing	257,226
Invested in capital assets	96,709
Unrestricted	94,609
	$ 448,544

Subsequent to the transfer, the offsetting demand note receivable from Habitat for Humanity Mississauga and the demand note payable to Habitat for Humanity Halton were eliminated.

The comparative figures for the year ended December 31, 2014 represent the results of operation, cash flows and financial position of Habitat for Humanity Halton only.

3. INVESTMENTS

	2015	2014
Term deposit - interest at 0.4%, redeemable	**$ -**	$ 504,084
Marketable securities	**54,713**	2,434
	$ 54,713	$ 506,518

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

4. ACCOUNTS RECEIVABLE

	2015	2014
Accounts receivable	$ **30,818**	$ 73,403
Sales tax recoverable	**74,194**	122,524
	$ **105,012**	$ 195,927

5. PROPERTY HELD FOR RESALE AND BUILDINGS IN PROGRESS

At December 31, 2015, five properties are held, one of which is completed and pending ownership on a rent-to-own basis.

The completed property was received as part of a contribution agreement between the Government of Canada and Habitat for Humanity Halton/Mississauga. As part of the agreement, the Organization cannot transfer title of the property to the homeowner until 2028. As a result, the cost of the property has been classified as a long-term asset and the related deferred contributions have been classified as a long-term liability. As at December 31, 2015, the cost and deferred contributions amounted to $595,440 and $597,211 respectively. Any payments received from the homeowner on a rent-to-own basis will be recorded as deferred revenue when received.

During the year, one property was sold for total consideration of $235,000, with an excess of proceeds over carrying value of $113,347. The amount of the first mortgage issued on the sale of the property amounted to $189,840. The amount of the second mortgage issued on the sale of the property amounted to $45,160. The total cost of the property was $121,653, with $130,283 of deferred donations being recognized during the year.

The Organization's policy is to defer designated donations related to property held for resale and buildings in progress and recognize the revenue in the same period that the property is sold. At December 31, 2015, $1,240,541 (2014 - $864,642) of deferred donations are included in property held for resale and buildings in progress as an offset of the related costs.

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

6. MORTGAGES RECEIVABLE

	2015	2014
Non-interest bearing first mortgages receivable, secured by various properties, repayable in monthly instalments and maturing on various dates between January 2039 and December 2049.	**$ 2,766,880**	$ 2,275,828
Less: unamortized discount (Note 1)	**(641,989)**	(563,824)
	2,124,891	1,712,004
Non-interest bearing second mortgage receivable, secured by a specific property, repayable when the home changes title or ninety-nine years from registration	**45,160**	-
Less: unamortized discount (Note 1)	**(36,558)**	-
	8,602	-
Non-interest bearing third mortgages receivable, secured by various properties, repayable when the home changes title or ninety-nine years from registration	**632,128**	522,968
Less: unamortized discount (Note 1)	**(510,510)**	(424,373)
	121,618	98,595
	2,255,111	1,810,599
Less: current portion	**(110,525)**	(82,721)
Long-term portion	**$ 2,144,586**	$ 1,727,878

At the time a house is sold, the new homeowner provides a first mortgage that is determined based on the fair market value of the home and the ability of the homeowner to pay. The difference between the appraised value and the amount of the first mortgage is the amount assigned to any additional Habitat mortgage given by the homeowner.

Some previous Habitat second mortgages are forgivable after an extended period of time. Other than these previous Habitat second mortgages and the COAHP/IAH mortgages noted below, any second or subsequent mortgage provided by the homeowner to Habitat is repayable at the time title to the property is transferred or in 99 years. All forgivable mortgages are not shown on the statement of financial position given that it is more likely than not that the mortgage will be forgiven.

Beginning in 2011, Habitat has been successful in obtaining interest-free loans of $50,000 for Habitat homeowners through the Canada-Ontario Affordable Housing Program/Investment in Affordable Housing (COAHP/IAH) program. Loans granted in 2011 were positioned as third mortgages. Any new loans will be positioned as second mortgages, with any additional Habitat mortgage positioned as a third mortgage, if necessary. The COAHP/IAH mortgages are forgivable after 20 years.

All mortgages provided to Habitat are interest free.

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

6. MORTGAGES RECEIVABLE - continued

The total amount of forgivable second mortgages receivable not included in the financial statements are:

	2015	2014
Second mortgages	$ 633,690	$ 633,690

7. CAPITAL ASSETS

	Annual Depreciation Rates	2015 Cost	2015 Accumulated Depreciation	2014 Cost	2014 Accumulated Depreciation
Office equipment	20%-30%	$ 165,787	$ 90,917	$ 140,283	$ 55,528
Office equipment - donated	20%	95,354	44,726	94,551	27,765
Equipment under capital lease	20%	15,269	6,474	15,269	4,275
Computer equipment	30%	110,480	66,725	66,807	44,555
Computer equipment - donated	30%	1,050	613	1,050	426
Computer software	30%	23,482	22,592	23,482	22,211
Computer software - donated	30%	10,980	4,447	10,980	1,647
Vehicles	30%	111,743	72,420	123,623	57,350
Leasehold improvements	5 Yr S.L.	135,822	76,075	122,961	55,618
Leasehold improvements - donated	5 Yr S.L.	58,958	26,501	58,958	14,710
		728,925	411,490	657,964	284,085
Net book value			$ 317,435		$ 373,879

8. INTANGIBLE ASSET

	Annual Amortization Rates	2015 Cost	2015 Accumulated Amortization	2014 Cost	2014 Accumulated Amortization
Website	5 Yr S.L.	$ 35,859	$ 9,718	$ 30,662	$ 3,066
Net book value			$ 26,141		$ 27,596

9. BANK INDEBTEDNESS

The Organization has access to an overall credit limit of $1,000,000 from a financial institution, consisting of a revolving line of credit to a maximum of $750,000 bearing interest at prime plus 1%, and standby letters of credit / letters of guarantee to a maximum of $250,000. These facilities are secured by a security agreement granting a first security interest in all present and after acquired personal property, and a present and future collateral mortgage for $1,000,000 providing a first charge over specific property. As at December 31, 2015, the line of credit was $306,425.

The banking agreement requires maintaining of financial covenants; debt to effective equity ratio not to exceed 2.00:1.00 and current ratio not less than 1.25:1:00. As at December 31, 2015, the Organization is in compliance with the bank covenants.

The Organization also has access to an overdraft with another financial institution to a maximum of $107,655. As at December 31, 2015, the overdraft balance was $nil.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade payables and accrued liabilities	**$ 488,646**	$ 294,880
Government remittances	**7,492**	5,700
	$ 496,138	$ 300,580

11. DEFERRED DONATIONS

Deferred donations pertain to specific restricted donations related to contributed capital assets and restricted donations related to operating activities which are expected to occur in 2016 and 2017. The restricted deferred donations related to capital assets are amortized into revenue on the same basis as the related capital assets contributed are depreciated at the rates indicated in Note 7. Restricted donations related to operating activities will be recognized in revenue when the activity occurs. The changes in the deferred donations balance is as follows:

	2015	2014
Balance, beginning of year	**$ 178,126**	$ 187,334
Add: donations received in the year	**311,089**	179,164
Less: amount amortized and included in revenue in the year	**(324,454)**	(188,372)
Balance, end of year	**164,761**	178,126
Less: current portion	**(46,015)**	(82,901)
Long-term portion	**$ 118,746**	$ 95,225

At December 31, 2015, deferred donations related to capital assets amounted to $90,055 (2014 - $120,991).

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

12. DEFERRED GRANTS

Deferred grants pertain to grants received and restricted for the purchase of a vehicle, to assist with leasehold improvements and certain other operating expenses. The grant amounts are amortized into revenue on the same basis as the related capital assets purchased are depreciated at the rates indicated in Note 7. Deferred grants related to expenses will be recognized in revenue when the expenses occur. The changes in the deferred grant revenue balance is as follows:

	2015	2014
Balance, beginning of year	**$ 102,390**	$ 137,952
Less: amount amortized and included in revenue in the year	**(17,812)**	(35,562)
Balance, end of year	**84,578**	102,390
Less: current portion	**(24,228)**	(18,835)
Long-term portion	**$ 60,350**	$ 83,555

At December 31, 2015, deferred grants related to capital assets amounted to $80,278 (2014 - $98,091).

13. OBLIGATION UNDER CAPITAL LEASE

The following is a schedule of minimum lease payments under the capital lease expiring in November 2017, together with the balance of the obligation:

Years ending December 31, 2016	$ 4,303
2017	3,945
Total minimum lease payments	8,248
Less amount representing interest at 6%	(475)
	7,773
Less current portion	(3,944)
	$ 3,829

HABITAT FOR HUMANITY HALTON/MISSISSAUGA
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14. VENDOR-TAKE-BACK MORTGAGES PAYABLE

	2015	2014
Mortgage payable - interest at 3%, payable in monthly interest only instalments of $750, maturing June 28, 2016 and secured by the underlying property with a net book value of $2,304,905	**$ 300,000**	$ 300,000
Mortgage payable - interest at 4%, payable in monthly interest only instalments of $4,000, maturing June 27, 2017 and secured by the underlying property with a net book value of $1,781,146	**1,200,000**	1,200,000
Balance, end of year	**1,500,000**	1,500,000
Less: current portion	**(300,000)**	-
Long-term portion	**$ 1,200,000**	$ 1,500,000

15. CONTINGENCY

The Organization is contingently liable for standby letters of credit totaling $142,346 (2014 - $109,826). These letters of credit expire September 2016.

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16. COMMITMENTS

The Organization has entered into lease agreements for its facilities. These leases expire between June 2018 and February 2026 and require the following annual payments:

2016	$ 512,836
2017	452,370
2018	409,674
2019	267,637
2020	216,757
thereafter; from 2021 to 2026	1,182,468
	$ 3,041,742

The Organization is also responsible for common area costs, including property taxes and operating costs, and requires the following estimated annual payments:

2016	$ 92,127
2017	93,192
2018	46,862
	$ 232,181

The Organization has entered into operating lease agreements for specific vehicles. The leases expire March 2017 and December 2017 and requires the following annual payments:

2016	$ 32,046
2017	8,012
	$ 40,058

17. SUBSEQUENT EVENTS

Subsequent to year end, on February 29, 2016 and April 15, 2016 respectively, the Organization purchased two properties for total prices of $230,002.

18. SUPPLEMENTAL INFORMATION TO THE STATEMENT OF CASH FLOWS

As described in Note 2, various assets and liabilities were transferred from Habitat for Humanity Mississauga.

As described in Note 5, the Organization sold one property during the year. The sale proceeds consisted of $nil cash, the issuance of a first mortgage receivable of $189,840 and the issuance of a second mortgage receivable of $45,160.

During the year, the Organization received restricted donations in kind of capital assets in the amount of $803, with a corresponding increase in deferred donations.

19. FINANCIAL RISK MANAGEMENT

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) 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. The Organization is exposed to interest rate risk since changes in interest rates may impact the Organization's future borrowing costs. The Organization does not use any derivative instrument to reduce its exposure to interest rate risk.

(b) Market risk:
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Organization's market risk relates to its investment in marketable securities as these investments are subject to price changes in an open market. The Organization does not use derivative financial instruments to alter the effects of this risk due to the insignificant amount invested in marketable securities.

(c) 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's main credit risks relate to its accounts receivable and mortgages receivable. The Organization is not exposed to significant credit risk as it only invests in highly rated investments, monitors credit to its clients in the normal course of operations and mortgages receivable are secured by the property for which the mortgage is held.

(d) Other risks:
It is management's opinion that the Organization is not exposed to significant currency or liquidity risks arising from its financial instruments.

20. CAPITAL MANAGEMENT

The Organization defines its capital as the net assets invested in housing, invested in capital assets and unrestricted. This definition remains unchanged from prior years.

The Organization's objective in managing its capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of benefits to its beneficiaries and stakeholders.

21. INCOME TAXES

The Organization qualifies for tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act.

22. COMPARATIVE FIGURES

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

As indicated in Note 2, the comparative figures for the year ended December 31, 2014 represent the results of operation, cash flows and financial position of Habitat for Humanity Halton only.

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

SCHEDULE OF RESTORE OPERATIONS

YEARS ENDED DECEMBER 31, 2015

	2015	2014
REVENUE	**$ 3,607,511**	$ 2,026,856
EXPENSES		
Advertising and promotion	**78,987**	102,782
Bank charges and interest	**38,011**	23,976
Depreciation	**77,932**	64,528
Facilities	**675,425**	397,295
Habitat for Humanity Canada affiliation fees	**101,554**	19,550
Insurance	**5,331**	5,710
Office and miscellaneous	**35,112**	17,031
Personnel	**1,091,070**	632,412
Vehicle expenses	**94,633**	68,970
Volunteer expenses	**29,915**	16,553
	2,227,970	1,348,807
EXCESS OF REVENUE OVER EXPENSES	**$ 1,379,541**	$ 678,049