HABITAT FOR HUMANITY HALTON/MISSISSAUGA

Financial Statements
for the Year Ended December 31, 2016
and Independent Auditors' Report to the Shareholder

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

FINANCIAL STATEMENTS
DECEMBER 31, 2016

CONTENTS

DJB CHARTERED PROFESSIONAL ACCOUNTANTS

DURWARD JONES BARKWELL
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

INDEPENDENT AUDITORS' REPORT

To the Shareholder 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, 2016 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, expenses, excess revenue over expenses, and cash flows from operations for the years ended December 31, 2016 and 2015, current assets at December 31, 2016 and 2015 and net assets as at January 1 and December 31, for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effects of this limitation of 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, 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.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants
June 1, 2017

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2016

	2016	2015
REVENUE		
Amortization of deferred donations (Note 9)	$ 205,214	$ 324,454
Amortization of deferred grants (Note 10)	14,387	17,812
Donations - cash	463,082	295,737
Donations - in kind	17,268	13,492
Interest and other income	6,825	5,731
Rental	-	13,280
ReStore operations - page 15	1,967,197	1,379,541
	2,673,973	2,050,047
EXPENSES		
Amortization	7,172	6,652
Bank charges and interest	20,537	13,603
Community awareness and education	35,370	17,394
Depreciation	37,039	30,470
Facilities	54,319	51,673
Family partnering program	23,974	13,983
Global village	4,790	10,037
Habitat for Humanity Canada affiliation fees	15,000	30,250
Insurance	9,128	6,337
Interest on obligation under capital lease	359	588
Office and miscellaneous	33,789	39,717
Personnel (program and administration)	747,251	717,369
Professional fees	58,059	138,067
Rental	240	2,579
Resource development	461,853	362,296
Sales tax not recovered	49,056	55,854
Tithe for international projects	47,719	81,119
Vehicle	19,213	19,072
Volunteer expenses	147,134	183,621
	1,772,002	1,780,681
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE (EXPENSES)	901,971	269,366
OTHER REVENUE (EXPENSES)		
Adjustment of mortgages receivable discount	135,424	118,661
Discount on new mortgages receivable	(284,378)	(89,960)
Excess of proceeds received over carrying value of properties	157,493	140,073
Gain on repayment of second mortgage receivable	90,582	-
Loss on disposal of capital assets	-	(87,530)
Loss on sale of marketable securities	(3,210)	-
Unrealized change in value of marketable securities	592	632
	96,503	81,876
EXCESS OF REVENUE OVER EXPENSES	$ 998,474	$ 351,242

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	Invested in Housing (1)	Invested in Capital Assets	Unrestricted	2016 Total	2015 Total
Balance, beginning of year	$ 5,781,883	$ 139,329	$ (126,564)	$ 5,794,648	$ 4,994,862
Transfer of net assets received	-	-	-	-	448,544
Adjusted balance, beginning of year	5,781,883	139,329	(126,564)	5,794,648	5,443,406
Excess revenue over expenses (expenses over revenue)	99,121	(54,239)	953,592	998,474	351,242
Investment in housing	2,417,890	-	(2,417,890)	-	-
Repayments of mortgages	(437,934)	-	437,934	-	-
Investment in capital assets	-	21,766	(21,766)	-	-
Balance, end of year	$ 7,860,960	$ 106,856	$(1,174,694)	$ 6,793,122	$ 5,794,648

(1) Invested in housing

	2016	2015
Property held for resale and buildings in progress	$ 6,813,155	$ 5,026,772
Current portion of mortgages receivable	125,754	110,525
Mortgages receivable	2,422,051	2,144,586
Current portion of vendor-take-back mortgage payable	(300,000)	(300,000)
Vendor-take-back mortgage payable	(1,200,000)	(1,200,000)
	$ 7,860,960	$ 5,781,883

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

	2016	2015
ASSETS		
Current assets		
Cash	$ -	$ 79,118
Marketable securities	11,707	54,713
Accounts receivable (Note 2)	102,499	105,012
Property held for resale and buildings in progress (Note 3)	6,813,155	5,026,772
Prepaid expenses and deposits	171,064	185,367
Current portion of mortgages receivable	125,754	110,525
	7,224,179	5,561,507
Mortgages receivable (Note 4)	2,422,051	2,144,586
Capital assets (Note 5)	240,143	317,435
Intangible asset (Note 6)	18,969	26,141
Property held for resale (Note 3)	595,440	595,440
	$10,500,782	$ 8,645,109
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 7)	$ 883,821	$ -
Accounts payable and accrued liabilities (Note 8)	561,592	496,138
Current portion of deferred donations	38,960	46,015
Current portion of deferred grants	11,963	24,228
Current portion of obligation under capital lease	3,829	3,944
Current portion of vendor-take-back mortgages payable	300,000	300,000
	1,800,165	870,325
Deferred donations (Note 9)	43,624	118,746
Deferred grants (Note 10)	58,228	60,350
Obligation under capital lease (Note 11)	-	3,829
Vendor-take-back mortgages payable (Note 12)	1,200,000	1,200,000
Deferred contributions - property held for resale (Note 3)	605,643	597,211
Contingencies (Note 13)		
	3,707,660	2,850,461
NET ASSETS		
Invested in housing	7,860,960	5,781,883
Invested in capital assets	106,856	139,329
Unrestricted	(1,174,694)	(126,564)
	6,793,122	5,794,648
	$10,500,782	$ 8,645,109

Approved by the Board:

.... Director .... Director

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 998,474	$ 351,242
Items not affecting cash		
Amortization of deferred donations	(153,142)	(240,567)
Amortization of deferred grants	(14,387)	(17,812)
Donations - in kind	(17,268)	(13,492)
Amortization	7,172	6,652
Depreciation	95,114	108,402
Amortization of lease inducement	-	(3,869)
Expenses - in kind	17,268	13,492
Adjustment of mortgages receivable discount	(135,424)	(115,843)
Discount on new mortgages receivable	284,378	89,960
Excess of proceeds received over carrying value of properties	(157,493)	(140,073)
Gain on repayment of second mortgage receivable	(90,582)	-
Loss on disposal of capital assets	-	92,955
Loss on sale of marketable securities	3,210	-
Unrealized change in value of marketable securities	(592)	(632)
Marketable securities donated	(11,115)	-
Write-off of obligation under capital lease	-	(10,020)
	825,613	120,395
Changes in non-cash operating assets and liabilities		
Accounts receivable	2,513	111,224
Prepaid expenses and deposits	14,303	(29,590)
Accounts payable and accrued liabilities	65,454	186,213
	907,883	388,242
INVESTING ACTIVITIES		
Cash received upon transfer of net assets	-	159,575
Net decrease in investments	51,503	452,437
Property held for resale and buildings in progress	(2,417,890)	(1,523,653)
Repayments of mortgages receivable	437,934	100,893
Purchase of capital assets	(17,822)	(48,504)
Proceeds on disposal of capital assets	-	300
Purchase of intangible asset	-	(5,197)
	(1,946,275)	(864,149)
FINANCING ACTIVITIES		
Receipt of deferred donations	70,965	146,802
Receipt of deferred contributions - property held for resale	8,432	1,632
Repayments of obligation under capital lease	(3,944)	(3,715)
	75,453	144,719
DECREASE IN CASH	(962,939)	(331,188)
CASH, BEGINNING OF YEAR	79,118	410,306
CASH (BANK INDEBTEDNESS), END OF YEAR	$ (883,821)	$ 79,118

Supplemental information is provided in Note 15.

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 City 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.

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 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 5. 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
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.

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 5. In the year of acquisition, depreciation is recorded at one half the normal rate.

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION - continued

Intangible asset
Intangible asset is stated at cost and amortized on a straight-line basis at the rate indicated in Note 6.

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 accounts receivable.

Financial assets measured at fair value include marketable securities.

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

(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, 2016

2. ACCOUNTS RECEIVABLE

	2016	2015
Accounts receivable	**$ 21,670**	$ 30,818
Sales tax recoverable	**80,829**	74,194
	$ 102,499	$ 105,012

3. PROPERTY HELD FOR RESALE AND BUILDINGS IN PROGRESS

At December 31, 2016, eight 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, 2016, the cost and deferred contributions amounted to $595,440 and $605,643 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, consisting of two housing units, was sold for total consideration of $789,000, with an excess of proceeds over carrying value of $157,493. The amount of the first mortgages issued on the sale of the property amounted to $789,000. As part of the sale agreements for this property, the Organization retained 10% ownership and accordingly, 10% of the property cost remains in property held for resale at year end.

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, 2016, $1,406,046 (2015 - $1,240,541) 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, 2016

4. MORTGAGES RECEIVABLE

	2016	2015
Non-interest bearing first mortgages receivable, secured by various properties, repayable in monthly instalments and maturing on various dates between January 2039 and November 2051.	$ 3,208,527	$ 2,766,880
Less: unamortized discount (Note 1)	(793,571)	(641,989)
	2,414,956	2,124,891
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	45,160
Less: unamortized discount (Note 1)	(36,384)	(36,558)
	8,776	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	632,128
Less: unamortized discount (Note 1)	(508,055)	(510,510)
	124,073	121,618
	2,547,805	2,255,111
Less: current portion	(125,754)	(110,525)
Long-term portion	$ 2,422,051	$ 2,144,586

Beginning in 2016, the Organization adopted a new mortgage policy. Under the new policy, 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. Included in each sale agreement is a clause which allows the Organization the right of first refusal to repurchase the home should the partner family decide to sell the home. The repurchase price is equal to the initial sale price and, at the time of repurchase, the Organization must repay the total mortgage payments received from the partner family.

In prior years, at the time a house was sold, the new homeowner provided a first mortgage that was 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 was the amount assigned to any additional Habitat mortgages 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.

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

4. MORTGAGES RECEIVABLE - continued

All mortgages provided to Habitat are interest free.

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

	2016	2015
Second mortgages	$ 543,690	$ 633,690

5. CAPITAL ASSETS

	Annual Depreciation Rates	2016 Cost	2016 Accumulated Depreciation	2015 Cost	2015 Accumulated Depreciation
Office equipment	20%-30%	$ 167,970	$ 110,097	$ 165,787	$ 90,917
Office equipment - donated	20%	95,354	57,331	95,354	44,726
Equipment under capital lease	20%	15,269	8,233	15,269	6,474
Computer equipment	30%	119,722	81,238	110,480	66,725
Computer equipment - donated	30%	1,050	744	1,050	613
Computer software	30%	23,482	22,859	23,482	22,592
Computer software - donated	30%	10,980	6,407	10,980	4,447
Vehicles	30%	111,743	86,215	111,743	72,420
Leasehold improvements	5 Yr S.L.	144,746	97,714	135,822	76,075
Leasehold improvements - donated	5 Yr S.L.	58,958	38,293	58,958	26,501
		749,274	509,131	728,925	411,490
Net book value			$ 240,143		$ 317,435

6. INTANGIBLE ASSET

	Annual Amortization Rates	2016 Cost	2016 Accumulated Amortization	2015 Cost	2015 Accumulated Amortization
Website	5 Yr S.L.	$ 35,859	$ 16,890	$ 35,859	$ 9,718
Net book value			$ 18,969		$ 26,141

7. BANK INDEBTEDNESS

The Organization has access to revolving line of credit facilities from a financial institution consisting of two revolving lines of credit, with a combined credit limit of $2,000,000 and bearing interest at prime plus 1%. 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 $2,000,000 providing a first charge over specific property. As at December 31, 2016, the total line of credit balance outstanding amounted to $1,030,530.

The banking agreement requires maintaining of financial covenants; total liabilities 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, 2016, 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, 2016, the overdraft balance amounted to $2,551.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade payables and accrued liabilities	$ 550,158	$ 488,646
Government remittances	11,434	7,492
	$ 561,592	$ 496,138

9. 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 2017 and 2018. 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 5. 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:

	2016	2015
Balance, beginning of year	$ 164,761	$ 178,126
Add: donations received in the year	123,037	311,089
Less: amount amortized and included in revenue in the year	(205,214)	(324,454)
Balance, end of year	82,584	164,761
Less: current portion	(38,960)	(46,015)
Long-term portion	$ 43,624	$ 118,746

At December 31, 2016, deferred donations related to capital assets amounted to $63,567 (2015 - $90,055).

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

10. 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 5. 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:

	2016	2015
Balance, beginning of year	$ 84,578	$ 102,390
Less: amount amortized and included in revenue in the year	(14,387)	(17,812)
Balance, end of year	70,191	84,578
Less: current portion	(11,963)	(24,228)
Long-term portion	$ 58,228	$ 60,350

At December 31, 2016, deferred grants related to capital assets amounted to $65,891 (2015 - $80,278).

11. 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:

Year ending December 31, 2017	$ 3,945
Less amount representing interest at 6%	(116)
	3,829
Less current portion	(3,829)
	$ -

12. VENDOR-TAKE-BACK MORTGAGES PAYABLE

	2016	2015
Mortgage payable - interest at 3%, payable in monthly interest only instalments of $750, due on demand and secured by the underlying property with a net book value of $3,972,152	$ 300,000	$ 300,000
Mortgage payable - interest at 4%, payable in monthly interest only instalments of $4,000, maturing June 27, 2018 and secured by the underlying property with a net book value of $2,133,339	1,200,000	1,200,000
Balance, end of year	1,500,000	1,500,000
Less: current portion	(300,000)	(300,000)
Long-term portion	$ 1,200,000	$ 1,200,000

13. CONTINGENCIES

The Organization is contingently liable for standby letters of credit totaling $142,346 (2015 - $142,346). These letters of credit expire September 2017.

The Organization is contingently liable for mortgage receivable payments received from homeowners under the new first mortgage policy adopted in 2016, since the payments are refundable if the homeowner decides to sell the home and the Organization exercises its right of first refusal to repurchase the home for the initial sale price. At December 31, 2016, total mortgage payments received under this agreement amounted to $4,420 (2015 - $nil).

14. 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:

2017	$ 475,280
2018	395,425
2019	253,388
2020	202,508
2021	209,093
thereafter; from 2022 to 2026	899,755
	$ 2,435,449

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

2017	$ 93,192
2018	46,862
	$ 140,054

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:

2017	$ 8,012

15. SUPPLEMENTAL INFORMATION TO THE STATEMENT OF CASH FLOWS

As described in Note 3, the Organization sold one property, consisting of two housing units, during the year. The sale proceeds consisted of $nil cash and the issuance of first mortgages receivable of $789,000.

16. 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.

17. 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.

18. INCOME TAXES

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

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

SCHEDULE OF RESTORE OPERATIONS
YEARS ENDED DECEMBER 31, 2016

	2016	2015
REVENUE	**$ 4,286,707**	$ 3,607,511
EXPENSES		
Advertising and promotion	**40,376**	78,987
Bank charges and interest	**46,771**	38,011
Depreciation	**58,075**	77,932
Facilities	**601,452**	675,425
Habitat for Humanity Canada affiliation fees	**211,892**	101,554
Insurance	**3,107**	5,331
Office and miscellaneous	**55,337**	35,112
Personnel	**1,186,753**	1,091,070
Vehicle expenses	**96,957**	94,633
Volunteer expenses	**18,790**	29,915
	2,319,510	2,227,970
EXCESS OF REVENUE OVER EXPENSES	**$ 1,967,197**	$ 1,379,541