HABITAT FOR HUMANITY HALTON/MISSISSAUGA

Financial Statements
for the Year Ended December 31, 2017
and Independent Auditors' Report to the Directors

HABITAT FOR HUMANITY HALTON/MISSISSAUGA
FINANCIAL STATEMENTS
DECEMBER 31, 2017

CONTENTS

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, 2017 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 2016, assets at December 31, 2016 and 2016 and net assets as at January 1 and December 31, for both the 2016 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 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, 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.

Durward Jones Barkwell & Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants
April 30, 2018

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017

	2017	2016
REVENUE		
Amortization of deferred donations (Note 9)	$ 159,943	$ 205,214
Amortization of deferred grants (Note 10)	11,964	14,387
Donations - cash	635,282	463,082
Donations - in kind	16,845	17,268
Interest and other income	1,309	6,825
Rental	6,972	-
ReStore operations - page 16	1,860,167	1,967,197
	2,692,482	2,673,973
EXPENSES		
Amortization	7,518	7,172
Bad debts	15,927	-
Bank charges and interest	29,329	20,537
Community awareness and education	50,916	35,370
Depreciation	22,669	37,039
Facilities	60,623	54,319
Family partnering program	63,556	23,974
Global village	740	4,790
Habitat for Humanity Canada affiliation fees	30,000	15,000
Insurance	18,348	9,128
Interest on obligation under capital lease	698	359
Office and miscellaneous	64,654	33,788
Personnel (program and administration)	845,095	747,251
Professional fees	90,443	58,059
Rental	-	240
Resource development	484,495	461,853
Sales tax not recovered	57,559	49,056
Tithe for international projects	59,666	47,719
Vehicle	35,596	19,213
Volunteer expenses	49,170	147,134
	1,987,002	1,772,001
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE (EXPENSES)	705,480	901,972
OTHER REVENUE (EXPENSES)		
Adjustment of mortgages receivable discount	103,412	135,424
Discount on new mortgages receivable	-	(284,378)
Excess of proceeds received over carrying value of properties (Note 3)	123,295	157,493
Gain on repayment of second mortgage receivable	-	90,582
Loss on sale of marketable securities	-	(3,210)
Unrealized change in value of marketable securities	(234)	592
	226,473	96,503
EXCESS OF REVENUE OVER EXPENSES	$ 931,953	$ 998,475

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017

	Invested in Housing (1)	Invested in Capital Assets	Unrestricted	2017 Total	2016 Total
Balance, beginning of year	$ 7,860,960	$ 106,856	$ (1,174,693)	$ 6,793,123	$ 5,794,648
Prior year reclassification	(10,202)	-	10,202	-	-
Adjusted balance, beginning of year	7,850,758	106,856	(1,164,491)	6,793,123	5,794,648
Excess revenue over expenses (expenses over revenue)	226,707	(46,615)	751,861	931,953	998,475
Investment in housing	1,704,768	-	(1,704,768)	-	-
Repayments of mortgages	(145,600)	-	145,600	-	-
Investment in capital assets	-	102,553	(102,553)	-	-
Balance, end of year	$ 9,636,633	$ 162,794	$ (2,074,351)	$ 7,725,076	$ 6,793,123

(1) Invested in housing

	2017	2016
Properties in progress and held for sale	$ 8,521,566	$ 6,813,016
Current portion of mortgages receivable	144,066	125,754
Mortgages receivable	2,280,987	2,422,051
Deferred contributions from partner families	(109,986)	(10,063)
Current portion of vendor-take-back mortgage payable	(1,200,000)	(300,000)
Vendor-take-back mortgage payable	-	(1,200,000)
	$ 9,636,633	$ 7,850,758

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	2017	2016
ASSETS		
Current assets		
Marketable securities	**$ 13,163**	$ 11,707
Accounts receivable (Note 2)	**136,106**	102,499
Properties in progress and held for sale (Note 3)	**8,521,566**	6,813,016
Prepaid expenses and deposits	**190,626**	171,064
Current portion of mortgages receivable	**144,066**	125,754
	9,005,527	7,224,040
Mortgages receivable (Note 4)	**2,280,987**	2,422,051
Capital assets (Note 5)	**279,979**	240,143
Intangible asset (Note 6)	**21,844**	18,969
	$11,588,337	$ 9,905,203
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 7)	**$ 1,916,084**	$ 883,821
Accounts payable and accrued liabilities (Note 8)	**482,766**	561,592
Deferred contributions from partner families (Note 3)	**109,986**	10,063
Current portion of deferred donations	**47,446**	38,960
Current portion of deferred grants	**8,290**	11,963
Current portion of obligation under capital lease	**4,682**	3,829
Current portion of vendor-take-back mortgages payable	**1,200,000**	300,000
	3,769,254	1,810,228
Deferred donations (Note 9)	**26,492**	43,624
Deferred grants (Note 10)	**49,937**	58,228
Obligation under capital lease (Note 11)	**17,578**	-
Vendor-take-back mortgages payable (Note 12)	**-**	1,200,000
Contingencies (Note 13)		
	3,863,261	3,112,080
NET ASSETS		
Invested in housing	**9,636,633**	7,850,758
Invested in capital assets	**162,794**	106,856
Unrestricted	**(2,074,351)**	(1,164,491)
	7,725,076	6,793,123
	$11,588,337	$ 9,905,203

Approved by the Board:

.... Director .... Director

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 931,953	$ 998,475
Items not affecting cash		
Amortization of deferred donations	(121,445)	(153,142)
Amortization of deferred grants	(11,964)	(14,387)
Donations - in kind	(16,845)	(17,268)
Amortization	7,518	7,172
Depreciation	81,149	95,114
Expenses - in kind	16,845	17,268
Adjustment of mortgages receivable discount	(103,412)	(135,424)
Discount on new mortgages receivable	-	284,378
Excess of proceeds received over carrying value of properties	(123,295)	(157,493)
Gain on repayment of second mortgage receivable	-	(90,582)
Loss on sale of marketable securities	-	3,210
Unrealized change in value of marketable securities	234	(592)
Marketable securities donated	(1,114)	(11,115)
	659,624	825,614
Changes in non-cash operating assets and liabilities		
Accounts receivable	(33,607)	2,513
Prepaid expenses and deposits	(19,562)	14,303
Accounts payable and accrued liabilities	(78,826)	65,454
Deferred contributions from partner families	99,923	8,431
	627,552	916,315
INVESTING ACTIVITIES		
Net decrease (increase) in marketable securities	(576)	51,503
Properties in progress and held for sale	(1,708,550)	(2,417,890)
Proceeds on sale of properties	204,337	-
Repayments of mortgages receivable	145,600	437,934
Purchase of capital assets	(96,099)	(17,822)
Purchase of intangible asset	(10,393)	-
	(1,465,681)	(1,946,275)
FINANCING ACTIVITIES		
Receipt of deferred donations	112,321	70,965
Repayments of obligation under capital lease	(6,455)	(3,944)
Repayment of vendor-take-back-mortgages payable	(300,000)	-
	(194,134)	67,021
DECREASE IN CASH	(1,032,263)	(962,939)
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	(883,821)	79,118
BANK INDEBTEDNESS, END OF YEAR	$ (1,916,084)	$ (883,821)

Supplemental information is provided in Note 16.

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 providing safe and affordable housing solutions to qualified families.

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.

Properties in progress and held for sale
Properties in progress and held for sale, including land, buildings, and building materials, both purchased and donated, are recorded at the lower of cost and net realizable value. Interest costs during the development and construction periods 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, 2017

2. ACCOUNTS RECEIVABLE

	2017	2016
Accounts receivable	$ **47,765**	$ 21,670
Sales tax recoverable	**88,341**	80,829
	$ **136,106**	$ 102,499

3. PROPERTIES IN PROGRESS AND HELD FOR SALE

During the year, one property was repurchased and resold. The excess proceeds received over the carrying value of the property amounted to $123,295.

At December 31, 2017, eight properties are held, one of which is completed and pending ownership on a rent-to-own basis due to restrictions on the timing of title transfer, and one property is partially complete and subject to the new rent-to-own policy described below. The one completed property was received in 2014 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 partner family until 2028.

The Organization's policy is to defer designated donations related to properties in progress and held for sale and recognize the revenue in the same period that the property is sold. At December 31, 2017, $2,178,851 (2016 - $2,001,625) of deferred donations are included in properties in progress and held for sale as an offset of the related costs.

Beginning in 2017, the Organization adopted a new rent-to-own policy. Under this policy, the Organization enters into residential lease with option to purchase agreements with partner families as tenants. The partner families obtain ownership of their home once the total payments made amount to the fair market value of the home at the beginning of the lease. If the tenant chooses to vacate before they obtain ownership, the Organization is required to repay all payments received from the tenant from the beginning of the lease.

The Organization's policy is to defer payments received from tenants on a rent-to-own basis and recognize the revenue in the same period that ownership of the unit is transferred. At December 31, 2017, total payments received under the rent-to-own agreements, presented as deferred contributions from partner families, amounted to $109,986 (2016 - $10,063).

During the year, interest capitalized to properties in progress amounted to $102,775 (2016 - $57,000).

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

4. MORTGAGES RECEIVABLE

	2017	2016
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.	**$ 2,946,611**	$ 3,208,527
Less: unamortized discount (Note 1)	**(639,772)**	(793,571)
	2,306,839	2,414,956
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)	**(36,207)**	(36,384)
	8,953	8,776
Non-interest bearing third mortgages receivable, secured by various properties, repayable when the home changes title or ninety-nine years from registration	**544,777**	632,128
Less: unamortized discount (Note 1)	**(435,516)**	(508,055)
	109,261	124,073
	2,425,053	2,547,805
Less: current portion	**(144,066)**	(125,754)
Long-term portion	**$ 2,280,987**	$ 2,422,051

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.

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

5. MORTGAGES RECEIVABLE - continued

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.

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

	2017	2016
Second mortgages	**$ 543,690**	$ 543,690

5. CAPITAL ASSETS

	Annual Depreciation Rates	**2017** Cost	**2017** Accumulated Depreciation	2016 Cost	2016 Accumulated Depreciation
Office equipment	20%-30%	**$ 202,547**	**$ 128,439**	$ 167,970	$ 110,097
Office equipment - donated	20%	**95,354**	**66,678**	95,354	57,331
Equipment under capital lease	20%	**40,156**	**12,129**	15,269	8,233
Computer equipment	30%	**128,622**	**94,123**	119,722	81,238
Computer equipment - donated	30%	**1,050**	**836**	1,050	744
Computer software	30%	**23,482**	**23,046**	23,482	22,859
Computer software - donated	30%	**10,980**	**7,779**	10,980	6,407
Vehicles	30%	**156,047**	**99,121**	111,743	86,215
Leasehold improvements	5 Yr S.L.	**155,058**	**110,040**	144,746	97,714
Leasehold improvements - donated	5 Yr S.L.	**58,958**	**50,084**	58,958	38,293
		872,254	**592,275**	749,274	509,131
Net book value			**$ 279,979**		$ 240,143

6. INTANGIBLE ASSET

	Annual Amortization Rates	**2017** Cost	**2017** Accumulated Amortization	2016 Cost	2016 Accumulated Amortization
Website	5 Yr S.L.	**$ 46,253**	**$ 24,409**	$ 35,859	$ 16,890
Net book value			**$ 21,844**		$ 18,969

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, 2017, the total line of credit balance outstanding amounted to $1,997,913.

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, 2017, the Organization is in compliance with its bank covenants.

The Organization also has access to an overdraft with another financial institution to a maximum of $107,655. As at December 31, 2017, the overdraft balance amounted to $nil.

Subsequent to year end, as indicated in Note 15, the Organization entered into three credit facilities with a new financial institution, which will replace and repay the credit facilities described above.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trade payables and accrued liabilities	$ 474,906	$ 550,158
Government remittances	7,860	11,434
	$ 482,766	$ 561,592

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 2018 and 2019. 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:

	2017	2016
Balance, beginning of year	$ 82,584	$ 164,761
Add: donations received in the year	151,297	123,037
Less: amount amortized and included in revenue in the year	(159,943)	(205,214)
Balance, end of year	73,938	82,584
Less: current portion	(47,446)	(38,960)
Long-term portion	$ 26,492	$ 43,624

At December 31, 2017, deferred donations related to capital assets amounted to $40,997 (2016 - $63,567).

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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:

	2017	2016
Balance, beginning of year	**$ 70,191**	$ 84,578
Less: amount amortized and included in revenue in the year	**(11,964)**	(14,387)
Balance, end of year	**58,227**	70,191
Less: current portion	**(8,290)**	(11,963)
Long-term portion	**$ 49,937**	$ 58,228

At December 31, 2017, deferred grants related to capital assets amounted to $53,927 (2016 - $65,891).

11. OBLIGATION UNDER CAPITAL LEASE

The following is a schedule of minimum lease payments under the capital lease expiring in May 2022, together with the balance of the obligation:

Year ending December 31,	2018	$ 5,527
	2019	5,527
	2020	5,527
	2021	5,527
	2022	2,303
Total minimum lease payments		24,411
Less amount representing interest at 4.2%		(2,151)
		22,260
Less current portion		(4,682)
		$ 17,578

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

12. VENDOR-TAKE-BACK MORTGAGES PAYABLE

	2017	2016
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 $2,338,398	**$ 1,200,000**	$ 1,200,000
Mortgage payable - interest at 3%, payable in monthly interest only instalments of $750, due on demand	**-**	300,000
Balance, end of year	**1,200,000**	1,500,000
Less: current portion	**(1,200,000)**	(300,000)
Long-term portion	**$ -**	$ 1,200,000

Subsequent to year end, as indicated in Note 15, the Organization entered into three credit facilities with a new financial institution, with one of the credit facilities intended to repay the vendor-take-back mortgage payable described above.

13. CONTINGENCIES

The Organization is contingently liable for standby letters of credit totaling $117,020 (2016 - $142,346). These letters of credit expire September 2018.

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, 2017, total mortgage payments received under these agreements amounted to $16,853 (2016 - $4,420).

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:

2018	$ 563,800
2019	368,946
2020	319,567
2021	326,151
2022	267,622
thereafter; from 2023 to 2026	690,661
	$ 2,536,747

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

2018	$ 46,862

The Organization has entered into operating lease agreements for specific vehicles. The leases expire between June 2018 and October 2019 and require the following annual payments:

2018	$ 72,680
2019	54,932
	$ 127,612

15. SUBSEQUENT EVENT

Subsequent to year end, on March 14, 2018, the Organization entered into three credit facilities with a new financial institution, which will replace and repay the credit facilities described in Note 7 and repay the vendor-take-back mortgage payable described in Note 12.

The new credit facilities include: a $1,750,000 demand line of credit ("credit facility #1") secured by existing first mortgages receivable and bearing interest at the financial institution's prime rate plus 1%, a $1,850,000 committed fixed term mortgage ("credit facility #2") secured by specific property and bearing interest at 4.6%, and a $1,500,000 non-revolving demand land loan ("credit facility #3") secured by specific property and bearing interest at the financial institution's prime rate plus 1%.

16. SUPPLEMENTAL INFORMATION TO THE STATEMENT OF CASH FLOWS

During the year, the Organization acquired equipment under capital lease in the amount of $24,886, with a corresponding increase in obligation under capital lease.

17. 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.

18. 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.

19. INCOME TAXES

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

20. COMPARATIVE FIGURES

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

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

SCHEDULE OF RESTORE OPERATIONS

YEARS ENDED DECEMBER 31, 2017

	2017	2016
REVENUE	**$ 4,724,238**	$ 4,286,707
EXPENSES		
Advertising and promotion	**3,738**	40,376
Bank charges and interest	**63,020**	46,771
Depreciation	**58,480**	58,075
Facilities	**1,031,704**	601,452
Habitat for Humanity Canada affiliation fees	**184,005**	211,892
Insurance	**3,572**	3,107
Office and miscellaneous	**53,798**	55,337
Personnel	**1,305,540**	1,186,753
Vehicle expenses	**135,328**	96,957
Volunteer expenses	**24,886**	18,790
	2,864,071	2,319,510
EXCESS OF REVENUE OVER EXPENSES	**$ 1,860,167**	$ 1,967,197