HABITAT FOR HUMANITY HALTON

Financial Statements
for the Year Ended December 31, 2013
and Independent Auditors' Report to the Directors

DURWARD JONES BARKWELL & COMPANY LLP Chartered Accountants

HABITAT FOR HUMANITY HALTON
FINANCIAL STATEMENTS
DECEMBER 31, 2013

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DJB CHARTERED ACCOUNTANTS

DURWARD JONES BARKWELL
& COMPANY LLP

3430 South Service Road, Suite 103
Burlington, Ontario L7N 3T9

905.681.6900 866.407.5318 Fax 905.681.6874
burl@djb.com www.djb.com

INDEPENDENT AUDITORS' REPORT

To the Directors of
Habitat for Humanity Halton:

We have audited the financial statements of Habitat for Humanity Halton, which comprise the statement of financial position as at December 31, 2013 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 audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations, fundraising and ReStore sales, the completeness of which is not susceptible of satisfactory audit verification. We were unable to obtain sufficient appropriate audit evidence about these revenues. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 as at December 31, 2013, 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 4, 2014

HABITAT FOR HUMANITY HALTON

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2013

	2013	2012 (restated) (Note 2)
REVENUE		
Donations - cash	$ 261,896	$ 184,999
Donations - in kind	71,735	1,626
Amortization of deferred donations (Note 10)	14,805	-
Amortization of deferred grants (Note 11)	24,548	7,500
Interest and other income	2,400	524
ReStore operations - page 17	663,770	700,778
	1,039,154	895,427
EXPENSES		
Bank charges and interest	7,232	4,530
Community awareness and education	32,702	11,879
Depreciation	17,461	20,721
Facilities	44,009	33,443
Family partnering program	11,941	33,630
Habitat for Humanity Canada affiliation fees	8,500	2,500
Insurance	1,839	1,414
Interest on obligation under capital lease	1,334	-
Office and miscellaneous	35,542	24,446
Personnel (program and administration)	579,129	495,572
Professional fees	23,499	42,571
Resource development	187,010	145,542
Tithe for international projects	24,332	10,645
Volunteer expenses	36,385	18,782
	1,010,915	845,675
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE (EXPENSES)	28,239	49,752
OTHER REVENUE (EXPENSES)		
Adjustment of mortgages receivable discount	(7,763)	57,133
Discount on new mortgages receivable	(96,736)	-
Excess (deficiency) of proceeds received over carrying value of properties (Note 4)	93,262	(4,666)
Loss on disposal of capital assets	(7,088)	-
	(18,325)	52,467
EXCESS OF REVENUE OVER EXPENSES	$ 9,914	$ 102,219

HABITAT FOR HUMANITY HALTON

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2013

	Invested in Housing (1)	Invested in Capital Assets	Unrestricted	2013 Total	2012 Total (restated) (Note 2)
Balance, beginning of year	$ 4,869,597	$ 56,059	$ 755,638	$ 5,681,294	$ 5,389,256
Prior period adjustment (Note 2)	(189,819)	-	-	(189,819)	-
As restated	4,679,778	56,059	755,638	5,491,475	5,389,256
Excess revenue over expenses	(18,325)	(31,779)	60,018	9,914	102,219
Investment in housing	524,753	-	(524,753)	-	-
Repayments of mortgages	(77,721)	-	77,721	-	-
Investment in capital assets	-	20,996	(20,996)	-	-
Balance, end of year	$ 5,108,485	$ 45,276	$ 347,628	$ 5,501,389	$ 5,491,475

(1) Invested in housing

	2013	2012
Property held for resale and buildings in progress	$ 1,671,105	$ 935,415
Current portion of mortgages receivable	53,182	55,443
Mortgages receivable	1,269,298	1,105,290
Letter of credit receivable	2,414,900	-
Vendor-take-back mortgage receivable	-	2,583,630
Vendor-take-back mortgage payable	(300,000)	-
	$ 5,108,485	$ 4,679,778

HABITAT FOR HUMANITY HALTON

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

	2013	2012 (restated) (Note 2)
ASSETS		
Current assets		
Cash	$ 301,250	$ 712,390
Marketable securities	1,223	-
Accounts receivable (Note 3)	75,995	94,167
Property held for resale and buildings in progress (Note 4)	1,671,105	935,415
Prepaid expenses and deposits	174,254	101,489
Letter of credit receivable (Note 5)	2,414,900	-
Vendor-take-back mortgage receivable (Note 5)	-	2,583,630
Current portion of mortgages receivable	53,182	55,443
	4,691,909	4,482,534
Mortgages receivable (Note 6)	1,269,298	1,105,290
Capital assets (Note 7)	309,082	98,559
	$ 6,270,289	$ 5,686,383
LIABILITIES		
Current liabilities		
Operating line of credit (Note 8)	$ 50	$ -
Accounts payable and accrued liabilities (Note 9)	126,930	125,712
Deposits on homes	1,647	26,696
Current portion of deferred donations	77,589	-
Current portion of deferred grants	46,194	12,750
Current portion of obligation under capital lease	3,499	-
	255,909	165,158
Deferred donations (Note 10)	109,745	-
Deferred grants (Note 11)	91,758	29,750
Obligation under capital lease (Note 12)	11,488	-
Vendor-take-back mortgage payable (Note 13)	300,000	-
	768,900	194,908
NET ASSETS		
Invested in housing	5,108,485	4,679,778
Invested in capital assets	45,276	56,059
Unrestricted	347,628	755,638
	5,501,389	5,491,475
	$ 6,270,289	$ 5,686,383

Approved by the Board:

.... Director .... Director

HABITAT FOR HUMANITY HALTON

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

	2013	2012 (restated) (Note 2)
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 9,914	$ 102,219
Items not affecting cash		
Donations - in kind	(71,735)	(1,626)
Amortization of deferred donations	(14,805)	-
Amortization of deferred grants	(24,548)	(7,500)
Depreciation	55,097	25,391
Expenses - in kind	58,735	3,406
Adjustment of mortgages receivable discount	7,763	(57,133)
Discount on new mortgages receivable	96,736	-
Excess of proceeds received over carrying value of properties	(93,262)	-
Loss on disposal of capital assets	7,088	-
	30,983	64,757
Changes in non-cash operating assets and liabilities		
Accounts receivable	18,172	(3,541)
Prepaid expenses and deposits	(72,765)	(20,709)
Accounts payable and accrued liabilities	1,218	(39,588)
Deposits on homes	(25,049)	26,696
	(47,441)	27,615
INVESTING ACTIVITIES		
Increase in marketable securities	(1,223)	-
Property held for resale and buildings in progress	(827,117)	(550,887)
Proceeds on sale of properties	140,722	-
Repayments of vendor-take-back mortgage receivable	168,730	-
Repayments of mortgages receivable	77,721	131,415
Purchase of capital assets	(97,485)	(63,287)
Proceeds on disposal of capital assets	11,490	-
	(527,162)	(482,759)
FINANCING ACTIVITIES		
Advances of operating line of credit	20,600	-
Repayments of operating line of credit	(20,550)	-
Receipt of deferred donations	54,615	-
Receipt of deferred grants	120,000	-
Repayments of obligation under capital lease	(11,202)	-
	163,463	-
DECREASE IN CASH	(411,140)	(455,144)
CASH, BEGINNING OF YEAR	712,390	1,167,534
CASH, END OF YEAR	$ 301,250	$ 712,390

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 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.

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.

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 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.

HABITAT FOR HUMANITY HALTON

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (continued)

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 determination of property write-down, impairment of capital assets, determination of useful lives of capital assets, accrued liabilities, revenue recognition, allowances for accounts receivable, amortization of mortgages receivable, and collectibility of first, second and third mortgages receivable.

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 net income.

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, accounts receivable and letter of credit receivable.

Financial assets measured at fair value include marketable securities.

Financial liabilities measured at amortized cost include operating line of credit, accounts payable and accrued liabilities and mortgage 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.

2. PRIOR PERIOD ADJUSTMENT

A correction for the overstatement of donations in kind recognized as revenue in the prior year, rather than recorded as deferred donations related to property held for resale and buildings in progress, has resulted in a prior period adjustment and restatement of certain prior years' figures.

As a result of the necessary adjustments, the statement of operations for the year ended December 31, 2012 has been restated with a decrease in donations in kind revenue of $189,819 and a decrease in excess of revenue over expenses of the same amount. Accordingly, the ending net assets balance as at December 31, 2012, and opening net assets balance for the current year, have also been restated and decreased by $189,819.

At December 31, 2012, the statement of financial position has been restated with a decrease in property held for resale and buildings in progress of $189,819, as the related deferred donations are applied against the corresponding asset as described in Note 4, and a decrease in net assets of the same amount.

3. ACCOUNTS RECEIVABLE

	2013	2012
Accounts receivable	$ 27,035	$ 37,810
Sales tax recoverable	48,960	56,357
	$ 75,995	$ 94,167

4. PROPERTY HELD FOR RESALE AND BUILDINGS IN PROGRESS

At December 31, 2013, five properties are held, one of which is completed and pending ownership on a rent-to-own basis.

At December 31, 2013, the Organization had paid a deposit and entered into a conditional purchase contract of property for $1,500,000.

During the year, three properties were sold for total consideration of $622,000, with an excess of proceeds over carrying value of $93,262. As part of this excess, down payment assistance of $50,000 for the three properties sold, totaling $150,000 was received from the Affordable Housing Program of the Regional Municipality of Halton and is included in the excess of proceeds over carrying value. In consideration for the down payment assistance provided, the Regional Municipality of Halton received second mortgages, equal to the value of the downpayment assistance, from each homeowner that will be forgiven in twenty years if the home is not sold during that time.

The amount of first mortgages issued on the sale of these three properties amounted to $343,967. The amount of third mortgage issued on one of the properties, and not presented on the statement of financial position as described in Note 6, amounted to $137,311, and is recorded as a reduction of the excess of proceeds over carrying value of properties sold.

The total costs of the properties was $581,246, including $189,819 of donations in-kind, with $189,819 of deferred donations recognized during the year and included in the excess of proceeds over carrying value of properties sold.

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, 2013, $465,579 (2012 - $189,819) of deferred donations are included in property held for resale and buildings in progress as an offset of the related costs.

5. LETTER OF CREDIT RECEIVABLE / VENDOR-TAKE-BACK MORTGAGE RECEIVABLE

The vendor-take-back mortgage receivable of $2,583,630 resulted from the sale of undeveloped property in a prior year. The mortgage receivable, which was secured by a second charge against the property, was non-interest bearing and expired on January 28, 2013.

During the year, the Organization received $168,730 in cash consideration on the maturity of the mortgage. The remaining balance of $2,414,900 is secured by a letter of credit issued by the property owner's financial institution. At year end the Organization expected to receive the remaining balance through a combination of cash and the purchase of 6 units in the property.

Subsequent to year end, the Organization and the property owner agreed to increase the cash component due to the Organization and to reduce the number of units that would be purchased to 2 units.

6. MORTGAGES RECEIVABLE

	2013	2012
Non-interest bearing first mortgages receivable, secured by various properties, repayable in monthly instalments and maturing on various dates between November 2040 and September 2048.	**$ 1,854,484**	$ 1,588,239
Less: unamortized discount (Note 1)	**(532,004)**	(427,506)
	1,322,480	1,160,733
Less: current portion	**(53,182)**	(55,443)
Long-term portion	**$ 1,269,298**	$ 1,105,290

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. All second and subsequent mortgages are not shown on the balance sheet given the extended period of time before they are likely to be collected.

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 second and third mortgages receivable are:

	2013	2012
Second mortgages	**$ 633,690**	$ 633,690
Third mortgages	**346,457**	209,146
	$ 980,147	$ 842,836

HABITAT FOR HUMANITY HALTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

7. CAPITAL ASSETS

	Annual Depreciation Rates	2013 Cost	2013 Accumulated Depreciation	2012 Cost	2012 Accumulated Depreciation
Office equipment	20%-30%	$ 66,326	$ 39,956	$ 52,216	$ 34,657
Office equipment - donated	20%	75,961	7,596	-	-
Equipment under capital lease	20%	15,269	1,527	-	-
Computer equipment	30%	59,482	36,588	40,584	30,826
Computer equipment - donated	30%	1,050	158	-	-
Computer software	30%	23,482	21,666	23,482	20,888
Vehicles	30%	84,802	37,266	71,802	19,680
Leasehold improvements	5 Yr S.L.	101,711	37,706	57,343	40,817
Leasehold improvements - donated	5 Yr S.L.	70,513	7,051	-	-
		498,596	189,514	245,427	146,868
Net book value			$ 309,082		$ 98,559

8. OPERATING LINE OF CREDIT

The Organization has access to an operating line of credit authorized to a maximum of $250,000 which bears interest at a rate of prime plus 3%. At December 31, 2013, the balance outstanding amounted to $50 (2012 - $nil).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
Trade payables and accrued liabilities	$ 122,076	$ 122,114
Government remittances	4,854	3,598
	$ 126,930	$ 125,712

HABITAT FOR HUMANITY HALTON

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

10. 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 2014 and 2015. 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:

	2013	2012
Balance, beginning of year	$ -	$ -
Add: donations received in the year	202,139	-
Less: amount amortized and included in revenue in the year	(14,805)	-
Balance, end of year	187,334	-
Less: current portion	(77,589)	-
Long-term portion	$ 109,745	$ -

A December 31, 2013, deferred donations related to capital assets amounted to $132,719 (2012 - $nil).

11. 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:

	2013	2012
Balance, beginning of year	$ 42,500	$ 50,000
Add: grants received in the year	120,000	-
Less: amount amortized and included in revenue in the year	(24,548)	(7,500)
Balance, end of year	137,952	42,500
Less: current portion	(46,194)	(12,750)
Long-term portion	$ 91,758	$ 29,750

At December 31, 2013, deferred grants related to capital assets amounted to $116,100 (2012 - $42,500).

HABITAT FOR HUMANITY HALTON

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

12. 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,	2014	$ 4,303
	2015	4,303
	2016	4,303
	2017	3,945
Total minimum lease payments		16,854
Less amount representing interest at 6%		(1,867)
		14,987
Less current portion		(3,499)
		$ 11,488

13. VENDOR-TAKE-BACK MORTGAGE PAYABLE

	2013	2012
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 $1,278,783	$ 300,000	$ -

14. COMMITMENTS

The Organization has entered into lease agreements for its facilities. These leases expire between June 2018 and March 2019 and require the following annual payments:

2014	$ 344,966
2015	397,631
2016	416,615
2017	439,232
2018	300,682
2019	50,880
	$ 1,950,006

The Organization is also responsible for common area costs, including property taxes and operating costs, which are included in the above amount.

The Organization has entered into an operating lease agreement for a specific vehicle. This lease expires March 2017 and requires the following annual payments:

2014	$ 15,426
2015	15,426
2016	15,426
2017	3,857
	$ 50,135

15. SUBSEQUENT EVENTS

a.) Subsequent to year end, the Organization advanced $120,000 to another organization and received a demand promissory note in the amount of $120,000 which is non-interest bearing and secured by a collateral mortgage against certain property.

b.) As described in Note 5, subsequent to year end, the Organization and the property owner agreed to increase the cash component due to the Organization and to reduce the number of units that would be purchased to 2 units.

16. SUPPLEMENTAL INFORMATION TO THE STATEMENT OF CASH FLOWS

As described in Note 4, the Organization sold three properties during the year. Included in the sale proceeds is a third mortgage receivable in the amount of $137,311, which has not been recorded on the statement of financial position as described in Note 6. The remaining sale proceeds consisted of $140,722 of cash and issuance of first mortgages receivable of $343,965.

During the year, the Organization acquired property held for resale in the amount of $300,000 in exchange for the issuance of a vendor-take-back mortgage payable.

During the year, the Organization received restricted and non-restricted donations in kind of capital assets in the amount of $147,524 and $13,000 respectively, with $147,524 recorded as an increase in deferred donations.

During the year, the Organization acquired equipment under capital lease in the amount of $26,189 with a corresponding increase in obligation under capital lease of the same amount.

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.

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.

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 does not use derivative financial instruments to alter the effects of this risk.

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.

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.

HABITAT FOR HUMANITY HALTON

SCHEDULE OF RESTORE OPERATIONS
YEARS ENDED DECEMBER 31, 2013

	2013	2012
REVENUE	**$ 1,481,408**	$ 1,327,177
EXPENSES		
Advertising and promotion	**29,841**	12,745
Bank charges and interest	**15,613**	15,212
Depreciation	**37,636**	4,670
Facilities	**208,467**	175,311
Habitat for Humanity Canada affiliation fees	**14,226**	43,192
Insurance	**3,488**	1,629
Office and miscellaneous	**12,462**	2,789
Personnel	**429,118**	341,168
Vehicle expenses	**36,195**	22,393
Volunteer expenses	**30,592**	7,290
	817,638	626,399
EXCESS OF REVENUE OVER EXPENSES	**$ 663,770**	$ 700,778