

**Habitat For Humanity Ontario Gateway North
(Formerly Habitat For Humanity Muskoka - Note 6)**

Financial Statements

December 31, 2014

	Page
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Operations and Changes In Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
Schedule 1 - ReStore Operations - Bracebridge	12
Schedule 2 - ReStore Operations - Huntsville	12
Schedule 3 - ReStore Operations - Orillia	13
Schedule 4 - ReStore Operations - Sudbury	13
Schedule 5 - ReStore Operations - Midland	14
Schedule 6 - ReStore Operations - Total	14

Dave Stevenson

Chartered Professional Accountant,
Chartered Accountant

1099 Partridge Lane
Bracebridge, Ontario
P1L 1W8

Tel. (705) 645-1361
Cell (705) 644-0295
Fax (206) 888-5666

E-mail - dave@davestevensonCA.com

Independent Auditor's Report

To the Members of Habitat For Humanity Ontario Gateway North

I have audited the accompanying financial statements of Habitat For Humanity Ontario Gateway North which comprise the statement of financial position as at December 31, 2014 and the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Habitat For Humanity Ontario Gateway North derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization, and I was not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenues over expenses for the year, assets and net assets.

Qualified Opinion

In my opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Habitat For Humanity Ontario Gateway North as at December 31, 2014 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.

Dave Stevenson

CPA, CA, Licensed Public Accountant

June 20, 2015

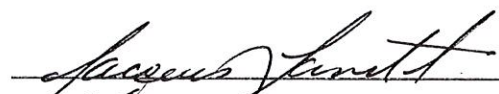
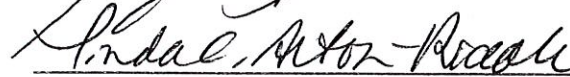
Bracebridge, Ontario

Habitat For Humanity Ontario Gateway North

Statement of Financial Position

December 31	2014	2013
Assets		
Current		
Cash	\$ 232,904	\$ 32,195
Cash - restricted	418,569	166,712
HST and other accounts receivable	70,403	39,040
Current portion of mortgages receivable	117,507	55,906
Prepaid expenses	27,937	17,094
Land held for development	470,874	431,648
Homes under construction	392,999	204,872
	<u>1,731,193</u>	<u>947,467</u>
Mortgages receivable (Note 2)	2,511,149	1,005,438
Capital assets (Note 3)	<u>522,710</u>	<u>18,939</u>
	<u>\$ 4,765,052</u>	<u>\$ 1,971,844</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 126,995	\$ 39,491
Government remittances payable	21,435	9,040
Deferred revenue	418,569	166,712
Mortgages and loans payable (Note 4)	<u>342,982</u>	<u>110,000</u>
	<u>909,981</u>	<u>325,243</u>
Deferred contributions relating to capital assets	<u>143,554</u>	<u>-</u>
	<u>1,053,535</u>	<u>325,243</u>
Commitments (Note 5)		
Net Assets		
Net assets invested in capital assets, properties and mortgages	3,110,134	1,440,091
Restricted net assets	418,569	166,712
Unrestricted net assets	<u>182,814</u>	<u>39,798</u>
	<u>3,711,517</u>	<u>1,646,601</u>
	<u>\$ 4,765,052</u>	<u>\$ 1,971,844</u>

Approved on behalf of the Board:

 Director
 Director

The accompanying notes are an integral part of these financial statements

Habitat For Humanity Ontario Gateway North

Statement of Operations and Changes in Net Assets

For the year ended December 31	2014	2013
Revenues		
Donations, grants and fundraising	\$ 133,893	\$ 316,715
ReStore revenues	1,061,215	853,202
Less - ReStore expenses	(893,566)	(666,144)
Wage subsidies, rebates and other income	55,782	2,241
House sales	355,000	516,250
Present value adjustment on first mortgages (Note 2)		
Current year projects	(125,964)	(176,593)
Prior years' projects	84,511	99,870
	<u>670,871</u>	<u>945,541</u>
Building costs	<u>323,385</u>	<u>366,316</u>
Excess of revenues over expenses before administrative expenses	<u>347,486</u>	<u>579,225</u>
Administrative expenses		
Fundraising	30,875	8,518
Insurance	3,789	766
Office and general	34,366	11,453
Program expenses	22,069	18,915
Professional fees	18,581	8,186
Public awareness	2,455	5,192
Salaries and benefits	221,600	166,302
Tithing	-	6,764
	<u>333,735</u>	<u>226,096</u>
Excess of revenues over expenses for the year	<u>13,751</u>	<u>353,129</u>
Net assets - beginning of year	<u>1,646,601</u>	<u>1,293,472</u>
Net assets transferred from other affiliates (Note 6)	<u>2,051,165</u>	<u>-</u>
Net assets - end of year	<u>\$ 3,711,517</u>	<u>\$ 1,646,601</u>
Represented by		
Net assets invested in capital assets, properties and mortgages	\$ 3,110,134	\$ 1,440,091
Restricted net assets	418,569	166,712
Unrestricted net assets	<u>182,814</u>	<u>39,798</u>
	<u>\$ 3,711,517</u>	<u>\$ 1,646,601</u>

The accompanying notes are an integral part of these financial statements

Habitat For Humanity Ontario Gateway North

Statement of Cash Flows

For the year ended December 31	2014	2013
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	\$ 13,751	\$ 353,129
Adjustment for		
Amortization of capital assets	1,762	1,918
Present value adjustment on first mortgages	774,201	76,723
Net assets transferred from other affiliates	2,051,165	-
	<u>2,840,879</u>	<u>431,770</u>
Changes in non-cash working capital balances		
HST and other accounts receivables	(31,363)	(4,284)
Prepaid expenses	(10,843)	1,726
Land held for development	(39,226)	(121,075)
Homes under construction	(188,127)	(30,265)
Accounts payable and accrued liabilities	87,505	(7,294)
Government remittances payable	12,395	35
Deferred contributions	251,857	(84,731)
	<u>2,923,077</u>	<u>185,882</u>
Investing activities		
Increase in mortgages receivable	(2,505,443)	(516,250)
Repayments on mortgages receivable	163,930	89,045
Increase in capital assets	(505,534)	(4,008)
	<u>(2,847,047)</u>	<u>(431,213)</u>
Financing activity		
Increase in mortgages and loans payable	232,982	110,000
Increase in deferred contributions relating to capital assets	143,554	-
	<u>376,536</u>	<u>110,000</u>
Change in cash during the year	452,566	(135,331)
Cash - beginning of year	198,907	334,238
Cash - end of year	\$ 651,473	\$ 198,907
Represented by		
Cash	\$ 232,904	\$ 32,195
Cash - restricted	418,569	166,712
	<u>\$ 651,473</u>	<u>\$ 198,907</u>

The accompanying notes are an integral part of these financial statements

Habitat For Humanity Ontario Gateway North

Notes to the Financial Statements

December 31, 2014

1. Significant Accounting Policies

Nature of Operations

Habitat For Humanity Ontario Gateway North is a not-for-profit organization that was formed to assist in providing affordable housing in the Ontario Gateway North region. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act.

The organization is an affiliate of Habitat For Humanity Canada (HFHC). There is a covenant agreement between HFHC and all Canadian affiliates setting out the general operating principles for every autonomous affiliate. Currently, HFHC provides affiliates across the country with administrative and marketing support, training opportunities and gift-in-kind coordination.

Basis of Presentation

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

The accrual basis of accounting is followed. The accrual basis of accounting recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent.

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 the reported amounts of revenues and expenses during the reported period. The principal estimates used in the preparation of these financial statements are the determination of the discount rate used to calculate the present value adjustments on the mortgages receivable and the estimated useful life of the tangible capital assets. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the year in which they become known.

Properties Under Development

Land held for development and homes under construction, including property taxes and interest, are capitalized on a project by project basis until the project is complete and the house is sold. Land held for development and homes under construction are recorded at the lower of cost and net realizable value. Net realizable value is defined as the estimated costs to be recovered from partner families upon the sale of the property.

Habitat For Humanity Ontario Gateway North

Notes to the Financial Statements

December 31, 2014

1. Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is as follows:

Building	- 5% diminishing balance
Computer equipment	- 30% diminishing balance
Furniture and equipment	- 20% diminishing balance
Transportation equipment	- 30% diminishing balance

Leasehold improvements are recorded at cost and amortized on a straight line basis over the term of the premises lease.

Capital Grants

Grants received for the purchase of capital assets are deferred and amortized in the statement of operations on the same basis as the related assets.

Revenue Recognition

Contributions received for specific building projects are deferred and recognized as revenue upon completion of the project. Operating grants received are deferred and recognized as revenue as the related expenses are incurred. Unrestricted contributions are recognized as revenue in the year received.

House sales are recognized as revenue on the date that title to the home is transferred to the partner family.

Sale of products at the ReStore are on a non-credit basis only. Revenues are recognized at the time payment is received.

Interest income is recognized as revenue when earned.

Contributed Materials

Donations in kind received by the organization for the purpose of constructing homes and for sale in the ReStores are not recognized in the financial statements.

Contributed Services

A number of volunteers contribute a significant amount of time each year to the organization. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Habitat For Humanity Ontario Gateway North

Notes to the Financial Statements

December 31, 2014

1. Significant Accounting Policies (continued)

Financial Instruments

The organization's financial instruments consist of cash, HST and other accounts receivable, mortgages receivable, accounts payable, government remittances payable and mortgages and loans payable. Financial instruments are recorded at fair value on initial recognition. The carrying values of the mortgages receivable are adjusted annually as explained in Note 2. HST and other accounts receivable, accounts payable, government remittances payable and mortgages and loans payable are subsequently measured at amortized cost. Financial instruments measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write down or subsequent recovery is recognized in net revenue (expense).

2. Mortgages Receivable

	2014	2013
First mortgages receivable at face values	\$ 3,951,260	\$ 1,609,747
Less present value adjustments on first mortgages	1,322,604	548,403
Present value of first mortgages receivable	2,628,656	1,061,344
Less current portion	117,507	55,906
	<u>\$ 2,511,149</u>	<u>\$ 1,005,438</u>

First mortgages receivable are repayable over periods of up to 30 years. The first mortgages are interest-free. Monthly repayments are reviewed annually and adjusted accordingly based on a means test. The first mortgages receivable have been discounted for accounting presentation purposes at 3.98% (2013 - 4.39%) which is based on the estimated interest rate in effect at year-end on similar term, arms-length mortgages.

	2014	2013
Second mortgages receivable at face values	\$ 634,548	\$ 295,500
Less present value adjustments on second mortgages	634,548	295,500
Present value of second mortgages receivable	<u>\$ -</u>	<u>\$ -</u>

The second mortgages are also interest-free and the principal amounts are forgivable in the future provided certain conditions are met.

Habitat For Humanity Ontario Gateway North

Notes to the Financial Statements

December 31, 2014

3. Capital Assets

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 112,438	\$ -	\$ -	\$ -
Building	332,991	8,325	-	-
Computer equipment	3,569	536	-	-
Furniture and equipment	12,550	7,933	22,561	14,812
Leasehold improvements	44,111	9,704	17,028	5,838
Transportation equipment	52,967	9,418	-	-
	\$ 558,626	\$ 35,916	\$ 39,589	\$ 20,650
Net book value		\$ 522,710		\$ 18,939

4. Mortgages and Loans Payable

	2014	2013
Mortgage payable, secured by land in Huntsville, Ontario, interest only payable annually at 5%, principal due in full upon the earlier of June 20, 2015 or the commencement of any excavation, construction of other improvement on the property	\$ 110,000	\$ 110,000
Mortgage payable, secured by land and building in Midland, Ontario and a general security agreement, repayable \$1,472 monthly including interest at the bank's prime rate + 1.75%, due on demand	195,982	-
Mortgage payable, secured by land in Penetanguishene, Ontario, bearing interest at 5% per annum, due on demand	20,000	-
Loan payable, interest free, due on demand	17,000	-
	\$ 342,982	\$ 110,000

Habitat For Humanity Ontario Gateway North

Notes to the Financial Statements

December 31, 2014

5. Commitments

The organization has leased its Bracebridge, Ontario premises for a term of ten years ending March 31, 2018. The minimum lease payments are \$121,000 plus HST per annum.

The organization has leased its Huntsville, Ontario ReStore location for a term of five years ending July 31, 2017. The minimum lease payments are \$52,052 plus HST per annum. The organization can renew the lease for an additional five year term at the same annual amount.

The organization has leased its Orillia, Ontario ReStore location for a term of five years ending June 30, 2016. The minimum lease payments are \$50,000 plus HST per annum in the first year and increasing by 2% each year thereafter. The organization can renew the lease for an additional five year term at the fair market rent rate in effect at the time of renewal.

The organization has leased its Sudbury, Ontario premises for a term of five years ending July 31, 2017. The minimum lease payments are \$44,772 plus HST per annum. The lease also requires the payment of additional rent in the amount of \$25,584 plus HST per annum in the first year subsequent to annual adjustment thereafter.

The organization has leased a vehicle for a term of sixty months ending March 23, 2018. The minimum annual lease payments until expiry of the lease are \$7,892.

6. Net Assets Transferred From Other Affiliates and Name Change

Based on a collective desire to help more families in the region, the Habitat affiliates of Muskoka, North Bay and Blue Sky Region, North Simcoe, Orillia/Lake Country, and Sudbury District agreed to combine their organizations into a singular Regional Affiliate, while at the same time retaining an active Habitat program in each community. Pursuant to the terms of a merger agreement with an effective date of August 31, 2014 the Habitat affiliates of North Bay and Blue Sky Region, North Simcoe, Orillia/Lake Country, and Sudbury District dissolved and transferred all of their assets and liabilities to Habitat For Humanity Muskoka which concurrently changed its name to Habitat For Humanity Ontario Gateway North in order to reflect its greater area of service. The transferred assets and liabilities were recorded at their carrying values.

This collaboration of strategy and resources was undertaken to help achieve the mandate of Habitat for Humanity by further raising the organization's profile, by expanding its network of ReStores in the region, by attracting more community partners, and ultimately by building more affordable homes for families.

Habitat For Humanity Ontario Gateway North

Notes to the Financial Statements

December 31, 2014

7. Financial Instrument Risks

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 is exposed to credit risk arising from its cash and mortgages receivable. The organization reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. The organization reduces its credit risks on mortgages receivable by regularly meeting with the mortgagors and adjusting the mortgage payments based on the mortgagors incomes and ability to pay. There has been no change in the risk from the prior year.

Liquidity Risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements the organization will not have sufficient funds to settle a transaction on the due date or will be forced to sell financial assets at amounts less than their worth or may be unable to settle or recover a financial asset. The organization is exposed to liquidity risk arising from its accounts payable, government remittances payable and mortgages payable. There has been no change in the risk from the prior year.

Cash Flow Risk

The organization receives a substantial portion of its cash flow from various donors and fundraisers and can be subject to significant fluctuations in cash flow. The organization manages these cash flow fluctuations by maintaining adequate cash reserves and by following approved budgets. There has been no change in the risk from the prior year.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest on one of the organization's mortgages payable is variable based on bank prime rates. This exposes the organization to the risk of changing interest rates that may have an effect on its cash flows in future periods. The organization does not use derivative investments to reduce its exposure to interest rate risk.

Habitat For Humanity Ontario Gateway North

Schedule 1 - ReStore Operations - Bracebridge

For the year ended December 31	2014	2013
Revenues		
Sales	\$ 546,996	\$ 546,540
Expenses		
Advertising	4,886	4,269
Amortization of capital assets	1,762	1,918
Bank charges and credit card fees	4,966	4,866
Habitat for Humanity Canada sales fee	10,430	11,542
Insurance	1,762	1,289
Office and general	8,193	9,530
Rent	125,768	125,768
Repairs and maintenance	16,380	10,220
Telephone	5,947	5,878
Transportation	16,731	17,081
Utilities	8,980	8,071
Wages and benefits	178,430	197,963
	<u>384,235</u>	<u>398,395</u>
Excess of revenues over expenses for the year	\$ 162,761	\$ 148,145

Schedule 2 - ReStore Operations - Huntsville

For the year ended December 31	2014	2013
Revenues		
Sales	\$ 344,364	\$ 306,662
Expenses		
Advertising	4,102	3,529
Amortization of capital assets	1,762	1,918
Bank charges and credit card fees	2,942	2,680
Habitat for Humanity Canada sales fee	8,066	6,191
Insurance	1,445	645
Office and general	10,161	12,425
Rent	76,954	76,954
Repairs and maintenance	5,282	8,844
Telephone	2,907	2,777
Transportation	7,249	4,752
Utilities	18,148	11,422
Wages and benefits	153,532	135,612
	<u>292,550</u>	<u>267,749</u>
Excess of revenues over expenses for the year	\$ 51,814	\$ 38,913

Habitat For Humanity Ontario Gateway North

Schedule 3 - ReStore Operations - Orillia

For the year ended December 31	2014	2013
Revenues		
Sales	\$ 59,593	\$ -
Property tax rebate	3,921	-
	<u>63,514</u>	<u>-</u>
Expenses		
Advertising	1,087	-
Bank charges and credit card fees	1,040	-
Habitat for Humanity Canada sales fee	623	-
Insurance	839	-
Office and general	1,388	-
Rent	25,657	-
Repairs and maintenance	962	-
Telephone	967	-
Transportation	1,796	-
Utilities	3,240	-
Wages and benefits	32,552	-
	<u>70,151</u>	<u>-</u>
Excess (deficiency) of revenues over expenses for the year	\$ (6,637)	\$ -

Schedule 4 - ReStore Operations - Sudbury

For the year ended December 31	2014	2013
Revenues		
Sales	\$ 59,358	\$ -
Expenses		
Advertising	1,242	-
Amortization of capital assets	1,384	-
Bank charges and credit card fees	801	-
Habitat for Humanity Canada sales fee	603	-
Insurance	1,209	-
Office and general	1,340	-
Rent	28,816	-
Repairs and maintenance	1,054	-
Telephone	1,506	-
Transportation	2,666	-
Utilities	3,489	-
Wages and benefits	36,989	-
	<u>81,099</u>	<u>-</u>
Excess (deficiency) of revenues over expenses for the year	\$ (21,741)	\$ -

Habitat For Humanity Ontario Gateway North

Schedule 5 - ReStore Operations - Midland

For the year ended December 31	2014	2013
Revenues		
Sales	\$ 46,983	\$ -
Expenses		
Advertising	1,397	-
Amortization of capital assets	6,431	-
Bank charges and credit card fees	519	-
Habitat for Humanity Canada sales fee	478	-
Insurance	391	-
Interest on long-term debt	2,766	-
Office and general	675	-
Property taxes	3,537	-
Repairs and maintenance	2,753	-
Telephone	944	-
Transportation	2,057	-
Utilities	1,721	-
Wages and benefits	41,862	-
	<u>65,531</u>	<u>-</u>
Excess (deficiency) of revenues over expenses for the year	\$ (18,548)	\$ -

Schedule 6 - ReStore Operations - Total

For the year ended December 31	2014	2013
Revenues		
Bracebridge	546,996	546,540
Huntsville	344,364	306,662
Orillia	63,514	-
Sudbury	59,358	-
Midland	46,983	-
	<u>1,061,215</u>	<u>853,202</u>
Expenses		
Bracebridge	384,235	398,395
Huntsville	292,550	267,749
Orillia	70,151	-
Sudbury	81,099	-
Midland	65,531	-
	<u>893,566</u>	<u>666,144</u>
Excess of revenues over expenses for the year	\$ 167,649	\$ 187,058