

HABITAT FOR HUMANITY, IQALUIT
FINANCIAL STATEMENTS
December 31, 2018

HABITAT FOR HUMANITY, IQALUIT
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December 31, 2018

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Independent Auditors' Report

To the Board of Directors of the Habitat For Humanity, Iqaluit

Qualified Opinion

We have audited the financial statements of the Habitat For Humanity, Iqaluit (the Society), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in fund balances, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives some of its revenue from donations and fund raising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenues, excess revenues (expenses), assets and fund balances.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Iqaluit, Nunavut
June 28, 2019



Chartered Professional Accountants

**HABITAT FOR HUMANITY, IQALUIT
STATEMENT OF FINANCIAL POSITION**

As at December 31, 2018

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current		
Cash	\$ 95,063	\$ 62,589
Accounts receivable	24,944	25,150
Government remittances	4,608	13,644
Building inventory	1,243,665	1,234,852
Prepaid expenses	<u>1,391</u>	<u>1,410</u>
	<u>1,369,671</u>	<u>1,337,645</u>
Long Term		
Mortgage receivable (Note 3)	92,257	98,487
Equipment (Note 4)	<u>2,526</u>	<u>3,393</u>
	<u>94,783</u>	<u>101,880</u>
	<u>\$ 1,464,454</u>	<u>\$ 1,439,525</u>
<u>Liabilities</u>		
Current		
Accounts payable and accrued liabilities	\$ 78,689	\$ 109,437
Current portion of long term debt (Note 5)	<u>3,180</u>	<u>2,880</u>
	81,869	112,317
Long Term		
Long term debt (Note 5)	<u>56,876</u>	<u>60,096</u>
	<u>138,745</u>	<u>172,413</u>
<u>Fund Balances</u>		
General Fund	914,419	927,672
Fund for Humanity	<u>411,290</u>	<u>339,440</u>
	<u>1,325,709</u>	<u>1,267,112</u>
	<u>\$ 1,464,454</u>	<u>\$ 1,439,525</u>

Approved on Behalf of the Board

_____ Director

_____ Director

HABITAT FOR HUMANITY, IQALUIT
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended December 31, 2018

	<u>General Fund</u>	<u>Fund for Humanity</u>	<u>2018</u>	<u>2017</u>
Balance, Opening	\$ 927,672	\$ 339,440	\$ 1,267,112	\$ 1,051,227
Excess revenue	58,597	-	58,597	215,885
Mortgage receivable receipts	(6,230)	6,230	-	-
Tenant rent	<u>(65,620)</u>	<u>65,620</u>	<u>-</u>	<u>-</u>
Balance, Closing	<u>\$ 914,419</u>	<u>\$ 411,290</u>	<u>\$ 1,325,709</u>	<u>\$ 1,267,112</u>

HABITAT FOR HUMANITY, IQALUIT
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Revenue		
Habitat for Humanity Canada	\$ 9,763	\$ 156,034
Government of Canada	-	3,173
Golf tournament fundraising	90,812	98,776
Ball drop fundraising	40,000	40,000
Donations and fundraising	45,551	32,326
Donations in kind (Note 6)	3,500	7,184
Cancelled debt	-	22,047
Tenant rent	<u>65,620</u>	<u>54,120</u>
	<u>255,246</u>	<u>413,660</u>
Expenses		
Advertising and promotion	10,866	11,327
Bad debts	11,500	32,900
Depreciation	867	999
Golf Ball Drop - Nunavut day fundraising expenses	20,000	20,731
Golf tournament expenses	25,221	24,259
Habitat for Humanity Canada fees	15,000	17,500
Insurance	6,354	6,212
Interest and bank charges	4,941	4,095
Interest on long term debt	6,190	6,492
Licenses and memberships	900	1,433
Municipal taxes	12,520	9,917
Office	1	858
Professional fees	22,764	25,570
Rent	14,067	13,911
Repairs and maintenance	35,247	3,604
Salaries and wages	-	5,153
Telecommunications	835	930
Travel	1,235	3,845
Utilities	<u>8,141</u>	<u>8,039</u>
	<u>196,649</u>	<u>197,775</u>
Excess Revenue	<u>\$ 58,597</u>	<u>\$ 215,885</u>

HABITAT FOR HUMANITY, IQALUIT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Operating Activities		
Excess revenue	\$ 58,597	\$ 215,885
Items not requiring an outlay of cash:		
Donations in kind	(3,500)	(7,184)
Depreciation	867	999
Non-cash expenses	<u>3,500</u>	<u>7,184</u>
	59,464	216,884
Changes in non-cash working capital:		
Accounts receivable	206	9,270
Building inventory	(8,813)	(345,973)
Prepaid expenses	19	297
Accounts payable and accrued liabilities	(30,748)	51,586
Government remittances	<u>9,036</u>	<u>(9,254)</u>
	<u>29,164</u>	<u>(77,190)</u>
Financing Activities		
Long term debt	<u>(2,920)</u>	<u>36,595</u>
Investing Activities		
Purchase of property and equipment	-	(1,500)
Mortgage receivable	<u>6,230</u>	<u>2,686</u>
	<u>6,230</u>	<u>1,186</u>
Net Increase (Decrease) in Cash and Cash Equivalents	32,474	(39,409)
Cash and Cash Equivalents, Opening	<u>62,589</u>	<u>101,998</u>
Cash and Cash Equivalents, Closing	<u>\$ 95,063</u>	<u>\$ 62,589</u>

HABITAT FOR HUMANITY, IQALUIT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

1. Nature of the Organization

Habitat For Humanity, Iqaluit was incorporated on April 7, 2005 under the *Societies Act* of Nunavut. The purpose of the Society is to provide an affordable home ownership option for eligible working families whose incomes prevent them from securing a mortgage through a financial institution.

The Society is a charitable organization and is exempt from income tax under Sec. 149(1)(f) of the *Income Tax Act* (Canada).

2. Significant Accounting Policies

The financial statements have been prepared, on a going concern basis, in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

(a) Cash and Cash Equivalents

Cash and cash equivalents are comprised of bank account balances net of outstanding cheques and short term highly liquid investments that are readily convertible to cash. Short term investments are recorded at the lower of cost or market value.

(b) Building Inventory

Building inventory is stated at the lower of cost and net realizable value.

(c) Mortgage Receivable

Mortgage receivable is recorded at the net present value of the expected cash flow stream using a discount rate of 2.5%.

(d) Equipment

Equipment is recorded at cost. Depreciation is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Equipment	20% declining balance
Vehicles	30% declining balance
Computer equipment	30% declining balance

One-half of the annual rate of depreciation is taken in the year of acquisition.

(e) Revenue Recognition

The deferral method of revenue recognition for contributions is followed. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

HABITAT FOR HUMANITY, IQALUIT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

2. Significant Accounting Policies (continued)

(f) Use of Estimates

The preparation of financial statements in conformity 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant item subject to such estimates and assumptions include the valuation of accounts receivable, valuation of contributed services and the estimated useful life of equipment. Actual results could differ from those estimates.

(g) Financial Instruments

The Society initially measures its financial assets and financial liabilities at 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 attributable to the instrument.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value.

Financial assets measured at amortized cost include cash, accounts receivable, government remittances and mortgage receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long term debt.

Financial assets subsequently 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 assets or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- The present value of the cash flows expected to be generated by the asset or group of assets;
- The amount that could be realized by selling the asset or group of assets;
- 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 net income up to the amount of the previously recognized impairment.

It is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximate their carrying values.

(h) Fund Accounting

The General Fund accounts for the Society's general operating and administrative activities. This fund reports unrestricted resources. The Fund for Humanity represents internally restricted funds received from mortgage payments and tenant rents that are to be spent on future building projects.

HABITAT FOR HUMANITY, IQALUIT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

2. Significant Accounting Policies (continued)

(i) Contributed Goods and Services

The Society receives contributed services in the normal course of operations. Donations in kind are recorded at their estimated fair value at the date of donation, where the value can be reasonably determined. Because of the difficulty in determining the fair value of volunteer services, they are not recognized in the financial statements.

3. Mortgage Receivable

House 1416 was sold in December 2008. The Society will hold a first mortgage of \$175,000 and a second forgivable mortgage of \$175,000.

The first mortgage shall be fully open for repayment without notice, bonus or penalty and be non-interest bearing. There are currently no consistent periodic payments being made on this mortgage. For this reason there has been no current portion set up on this loan.

Provisions for the payment of a second mortgage have been established by an agreement between the Canada Revenue Agency and Habitat for Humanity Canada to ensure that house recipients do not profit by selling a Habitat home shortly after taking residence. The provisions in place ensure that the profits that result from volunteer labour go directly to the charity.

The second mortgage of \$175,000 is calculated by taking the difference between the appraised value of \$350,000 and the selling price of \$175,000. The terms of the second mortgage are as follows:

- i) The second mortgage may be reduced by a maximum of 25% after 60% of the first mortgage's amortization period has expired.
- ii) The second mortgage may be forgiven in full upon final payment of the first mortgage or the mortgage has terminated.

The second mortgage will not be shown on the balance sheet as the likelihood of collection is expected to be remote.

Mortgage interest income of \$NIL (2017 - \$NIL) has been recorded to reflect the current year reduction of the unamortized mortgage discount.

	<u>2018</u>	<u>2017</u>
Mortgage receivable	\$ 113,414	\$ 119,644
Less: unamortized mortgage discount	<u>(21,157)</u>	<u>(21,157)</u>
	<u>\$ 92,257</u>	<u>\$ 98,487</u>

HABITAT FOR HUMANITY, IQALUIT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

4. Equipment

	2018			2017
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Equipment	\$ 3,500	\$ 2,296	\$ 1,204	\$ 1,505
Vehicles	12,000	10,800	1,200	1,714
Computer equipment	1,746	1,624	122	174
	\$ 17,246	\$ 14,720	\$ 2,526	\$ 3,393

5. Long Term Debt

	2018	2017
City of Iqaluit equity land lease (House #4). Indirectly secured by building on the land. The equity land lease is repayable in blended quarterly installments of \$1,008 with interest at 10%. Final payment is in October 2027.	\$ 23,336	\$ 24,934
City of Iqaluit equity land lease (House #5). Indirectly secured by building on the land. The equity land lease is repayable in blended quarterly installments of \$1,270 with interest at 10%. Final payment is in December 2031.	36,720	38,042
	60,056	62,976
Less - Current portion	(3,180)	(2,880)
	\$ 56,876	\$ 60,096

The remaining cost of the land leases will be transferred to the home owners once the sale of the home is complete. Long term debt is expected to be repaid annually as follows:

2019	\$ 3,180
2020	3,510
2021	3,874
2022	4,276
2023	4,720
Thereafter	40,496
	\$ 60,056

6. Contributions in Kind

	2018	2017
Professional fees	\$ 3,500	\$ 3,500
Golf tournament expenses	-	3,684
	\$ 3,500	\$ 7,184

HABITAT FOR HUMANITY, IQALUIT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

7. Financial Assets and Liabilities

The significant financial risk to which the Society is exposed is credit risk.

(a) Credit risk

Credit risk is the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable and mortgage receivable. The Society does not obtain collateral or other security to support the amounts receivable subject to credit risk but mitigates this risk by dealing with only what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance. The mortgage receivable is secured by the property which it relates to.

8. Comparative Amounts

Certain 2017 financial statement amounts have been reclassified to conform to the financial statement presentation adopted in the current year.