

**HABITAT FOR HUMANITY REGINA INC**

**Financial Statements**

**Year Ended December 31, 2014**

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## INDEPENDENT AUDITOR'S REPORT

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We have audited the accompanying financial statements of Habitat for Humanity Regina Inc., which comprise the statements of financial position as at December 31, 2014 and the statements of revenues and expenses, changes in net assets and cash flows for the period then and the summary of significant accounting policies and other explanatory information.

### Managements Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian CPA Accounting Standards for Not-for-Profit organizations. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about 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

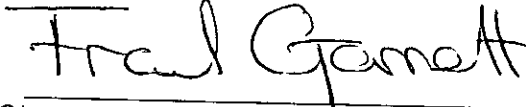
statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness 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 audits is sufficient and appropriate to provide basis for our audit opinion.

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2014 and the results of its operations and cash flows for the period ended December 31, 2014 in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Regina, Saskatchewan

May 4, 2015

  
Chartered Professional Accountant

HABITAT FOR HUMANITY REGINA INC

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Year Ended December 31, 2014

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# HABITAT FOR HUMANITY REGINA INC.

## STATEMENT OF FINANCIAL POSITION

Year Ended December 31, 2014

	ReStore Account	Habitat Account	2014	2013
<b>CURRENT ASSETS</b>				
Cash	\$ (3,648)	\$ 460,271	\$ 456,623	\$ 675,118
Accounts receivable	-	48,399	48,399	111,044
GST Receivable	-	19,320	19,320	13,149
Investments ( Note 3)	-	102,791	102,791	480,522
Inventory ( Note 2)	1	-	1	1
Prepaid expenses	-	13,181	13,181	21,163
Property held for resale ( Note 6)	-	2,912,497	2,912,497	1,010,985
Current portion of mortgage receivable	-	288,000	288,000	248,112
	(3,647)	3,844,459	3,840,812	2,560,094
<b>LONG TERM ASSETS</b>				
Mortgage receivable ( Note 7)	-	8,290,605	8,290,605	7,212,158
Building ( Note 4)	221,127	-	221,127	143,431
Equipment and vehicle ( Note 5)	56,901	14,465	71,366	75,205
	278,028	8,305,070	8,583,098	7,430,794
	\$ 274,381	\$ 12,149,529	\$ 12,423,910	\$ 9,990,888
<b>CURRENT LIABILITIES</b>				
Accounts payable (Note 8)	\$ 6,045	\$ 230,672	\$ 236,717	\$ 152,462
GST payable	-	-	-	\$ 16,993
Current portion of long-term debt	-	78,473	78,473	-
	6,045	309,145	315,190	169,455
<b>LONG TERM LIABILITIES</b>				
Deferred-mortgage revenues	-	30,165	30,165	8,600
Deferred -revenues	-	100,000	100,000	370,000
Vehicle loan	-	-	-	6,901
██████████ ( Note 9)	-	1,325,328	1,325,328	-
██████████ (Note 9)	-	88,351	88,351	93,288
██████████ loan	-	80,000	80,000	-
	-	1,623,844	1,623,844	478,789
	6,045	1,932,989	1,939,034	648,244
<b>NET ASSETS</b>				
Investment in mortgages and property (Note 2)	278,028	10,033,415	10,311,443	8,689,891
Available net assets	276,942	(353,509)	(76,567)	652,753
Appropriated funds-██████████	-	250,000	250,000	-
	554,970	9,929,906	10,484,876	9,342,644
	\$ 561,015	\$ 11,862,895	\$ 12,423,910	\$ 9,990,888

ON BEHALF OF THE BOARD

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
CEO

# HABITAT FOR HUMANITY REGINA INC.

## STATEMENT OF OPERATIONS AND AVAILABLE NET ASSETS

Year Ended December 31, 2014

	ReStore Account	Habitat Account	2014	2013
<b>REVENUE</b>				
Habitat sales of properties		\$ 1,695,312	\$ 1,695,312	\$ 1,417,415
Restore sales	819,952	-	\$ 819,952	698,044
Interest income	-	7,592	\$ 7,592	6,800
	819,952	1,702,904	<b>2,522,856</b>	2,122,259
Donations	173,735	1,892,631	<b>2,066,366</b>	1,739,965
	993,687	3,595,535	<b>4,589,222</b>	<b>3,862,224</b>
<b>DIRECT EXPENSES</b>				
Wages and benefits	362,227	724,703	<b>1,086,930</b>	854,512
Cash-over/short	702	-	<b>702</b>	1,382
Cost of Goods Sold	211,642	-	<b>211,642</b>	15,625
Build and related cost	-	1,737,849	<b>1,737,849</b>	834,785
Occupancy	86,069	150,381	<b>236,450</b>	157,370
National fees	4,804	-	<b>4,804</b>	24,012
Warehouse supplies	174	-	<b>174</b>	12,550
Fundraising expenses	513	21,358	<b>21,871</b>	39,429
Vehicles	27,972	40,709	<b>68,681</b>	48,120
Advertising and promotion	66,880	22,150	<b>89,030</b>	81,372
	760,983	2,697,150	<b>3,458,133</b>	2,069,157
	232,704	898,385	<b>1,131,089</b>	1,793,067
<b>CORPORATE EXPENSES</b>				
Other expenses	-	11,492	<b>11,492</b>	6,075
General and administration	44,656	118,343	<b>162,999</b>	80,623
Professional fees	-	7,827	<b>7,827</b>	5,427
Interest and bank charges	11,347	11,340	<b>22,687</b>	18,660
Amortization	27,412	7,987	<b>35,399</b>	38,178
	83,415	156,989	<b>240,404</b>	148,963
<b>EXCESS OF REVENUE ( EXPENSES)</b>	<b>\$ 149,289</b>	<b>\$ 741,396</b>	<b>\$ 890,685</b>	<b>\$ 1,644,104</b>
Investments in mortgages and property	(75,656)	(1,544,349)	<b>(1,620,005)</b>	(2,183,813)
Available net assets, beginning of year	203,309	449,444	<b>652,753</b>	1,192,462
Available net assets, end of year	<b>\$ 276,942</b>	<b>\$ (353,509)</b>	<b>\$ (76,567)</b>	<b>\$ 652,753</b>

# HABITAT FOR HUMANITY REGINA INC.

## COMPARATIVE INCOME STATEMENT

Year Ended December 31, 2014

	Actual-2014	Budget-2014	Variance
<b>REVENUE</b>			
Habitat sales of properties	\$ 1,695,312	\$ -	\$ -
ReStore sales	819,952	800,000	19,952
Interest income	7,592		
	<u>2,522,856</u>	<u>800,000</u>	<u>1,722,856</u>
Donations	2,066,366	3,546,051	(1,479,685)
	<u>4,589,222</u>	<u>4,346,051</u>	<u>243,171</u>
<b>DIRECT EXPENSES</b>			
Wages and benefits	1,086,930	1,096,143	(9,213)
Cash-over/short	702	-	702
Build and related cost	1,737,849	1,871,923	(134,074)
Occupancy	236,450	240,950	(4,500)
National fees	4,804	10,000	(5,196)
Warehouse supplies	174	3,800	(3,626)
Fundraising expenses	21,870	55,000	(33,130)
Vehicles	68,681	55,000	13,681
Cost of goods sold	211,643	3,600	208,043
Advertising and promotion	89,030	70,000	19,030
	<u>3,458,133</u>	<u>3,406,416</u>	<u>51,717</u>
	<u>1,131,089</u>	<u>939,635</u>	<u>191,454</u>
<b>CORPORATE EXPENSES</b>			
Other expense	11,492	10,000	1,492
General and administration	162,999	64,350	98,649
Professional fees	7,827	26,000	(18,173)
Interest and bank charges	22,687	10,900	11,787
Amortization	35,399	6,500	28,899
	<u>240,404</u>	<u>117,750</u>	<u>122,654</u>
<b>EXCESS OF REVENUE ( EXPENSES)</b>	<u>\$ 890,685</u>	<u>\$ 821,885</u>	<u>\$ 68,800</u>

HABITAT FOR HUMANITY REGINA INC

Statement of Cash Flow

Year Ended December 31, 2014

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 1,050,685	\$ 1,644,104
Item not affecting cash:		
Amortization	35,399	38,178
	<u>1,086,084</u>	<u>1,682,282</u>
Changes in non-cash working capital:		
Accounts receivable	(46,611)	85,080
Accounts payable	46,737	(8,691)
Deferred income	(248,435)	377,595
Prepaid expenses	7,982	(7,593)
PST payable (receivable)	542	(937)
GST receivable	(6,171)	(19,008)
Current portion of mortgages receivable	(39,888)	(248,112)
Wages payable	14,936	(9,967)
Assets held for resale	(1,901,512)	(678,985)
Employee deductions payable	47	(308)
	<u>(2,172,373)</u>	<u>(510,926)</u>
Cash flow from (used by) operating activities	<u>(1,086,289)</u>	<u>1,171,356</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(25,822)	(18,573)
Restricted to building donation	(83,439)	(83,439)
Cash flow used by investing activities	<u>(109,261)</u>	<u>(102,012)</u>
<b>FINANCING ACTIVITIES</b>		
Investments short term	388,504	120,876
Loans and notes receivable	(1,071,974)	(1,199,146)
Proceeds from grants	250,000	-
Proceeds from long term financing	1,477,429	-
Repayment of long term debt	(38,923)	(11,820)
Mortgage discount adjustment	-	(2,636)
Cash flow from (used by) financing activities	<u>1,005,036</u>	<u>(1,092,726)</u>
<b>DECREASE IN CASH FLOW</b>	<u>(190,514)</u>	<u>(23,382)</u>
Cash - beginning of year	<u>675,118</u>	<u>698,500</u>
<b>CASH - END OF YEAR</b>	<u>\$ 484,604</u>	<u>\$ 675,118</u>

# HABITAT FOR HUMANITY REGINA INC

## Notes to Financial Statements

Year Ended December 31, 2014

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### 1. DESCRIPTION OF BUSINESS

Habitat for Humanity Regina Inc. ("Habitat Regina") is incorporated under the Non-Profit Corporation Act of Saskatchewan. Its primary objective is to work within the City of Regina to mobilize volunteers and community partners in building safe, decent affordable housing for low income working families, promoting home ownership. Habitat Regina is providing its clients an opportunity to break the cycle of poverty and enrich our community's future.

Habitat Regina sells the homes constructed to partner families who pay an interest free mortgage. Funds from the mortgages are re-invested into the Fund for Humanity to build more homes. Habitat believes everyone deserves a decent place to live.

Habitat Regina operates the ReStore, a facility to re-cycle donated construction materials. The ReStore accepts donations of reusable building materials, hardware and appliances from the public and businesses for resale to the public. Proceeds from the cash generated pay for 100% of the administrative cost of the organization, with all surpluses re-invested into the Fund for Humanity to build more homes.

Habitat for Humanity Regina Inc. is an affiliate for Habitat for Humanity Canada Inc., and exempt from income taxes under the section 149 of the Income Tax Act.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Adoption of accounting standards

These financial statements are prepared in accordance with Canadian CPA Accounting Standards for Not-for-Profit Organizations ("Part III").

#### Use of Estimates

The preparation of financial statements in accordance with Generally Accepted Accounting Principles in Canada requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities at the date of the financial statements, and the 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. As adjustments become necessary, they are reported in income in the period in which they become known.

#### Inventory

The donated inventory of construction materials of the ReStore is recorded at a nominal amount.

*(continues)*



# HABITAT FOR HUMANITY REGINA INC

## Notes to Financial Statements

Year Ended December 31, 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. The Company regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost. Property, plant and equipment are amortized over their estimated useful lives at the following rates and methods:

Buildings		declining balance method
Equipment	20%	straight-line method
Motor vehicles	30%	straight-line method
Computer equipment	3 years	straight-line method
Phone system	20%	straight-line method
Warehouse equipment	12 %	straight-line method
POS system	20%	declining balance method

### 3. SHORT TERM INVESTMENTS

The organization's short term investments are in a high yield account with the RBC Bank. They are carried on the statement of financial position at fair value with changes in fair value recognized in the statements of operations.

### 4. BUILDING

The building was completed in 2010 at a cost of \$ 2,183,407. The organization received grant funding of \$ 2,085,826 that was applied to reduce the capital cost of the building. For accounting purposes, the difference of \$ 55, 949 was added to the building capital account and grant funding is being amortized and recognized as revenue over 25 years beginning in 2012. In the current year \$83,433 was recognized as donation revenue.

### 5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Buildings	\$ 235,809	\$ 14,682	\$ 221,127	\$ 143,431
Equipment	10,730	9,461	1,269	1,464
Motor vehicles	104,950	84,914	20,036	7,541
Computer equipment	7,924	7,855	69	608
Phone system	10,123	9,686	437	655
Tools and dies	19,026	12,191	6,835	10,641
Warehouse equipment	83,947	47,240	36,707	46,781
POS system	22,715	16,702	6,013	7,516
	<b>\$ 495,224</b>	<b>\$ 202,731</b>	<b>\$ 292,493</b>	<b>\$ 218,637</b>

HABITAT FOR HUMANITY REGINA INC

Notes to Financial Statements

Year Ended December 31, 2014

6. PROPERTY HELD FOR RESALE

	2014	2013
[REDACTED]	\$ -	\$ 30,000
[REDACTED]	-	30,000
[REDACTED]	86,885	86,885
[REDACTED]	702,300	702,300
[REDACTED]	-	78,000
[REDACTED]	1,501,700	23,800
[REDACTED]	27,500	-
[REDACTED]	55,000	-
[REDACTED]	27,500	-
[REDACTED]	10,500	-
[REDACTED]	236,694	-
[REDACTED]	227,351	-
[REDACTED]	5,078	-
[REDACTED]	31,988	-
[REDACTED]	-	30,000
[REDACTED]	-	30,000
	<u>-</u>	<u>-</u>
	<u>\$ 2,912,496</u>	<u>\$ 1,010,985</u>

Certain properties include homes in various completion levels. The estimated FMV is \$ 3,000,000

7. MORTGAGES RECEIVABLE

	2014	2013
Mortgage principal	\$ 8,578,605	\$ 7,460,270
Less portion included in current assets	(288,000)	(248,112)
	<u>\$ 8,290,605</u>	<u>\$ 7,212,158</u>

# HABITAT FOR HUMANITY REGINA INC

## Notes to Financial Statements

Year Ended December 31, 2014

The mortgages receivable are non interest bearing and are repayable in equal monthly installments over the mortgage terms which range from 25 to 35 years.

Habitat Regina, through Habitat Canada Inc., has appointed [REDACTED] to administer and service certain of its mortgage loans. [REDACTED] collects all payments under the loans and causes mortgagors perform their obligations under the mortgages and remits by deposit to Habitat Regina's bank account all monies received and collected. [REDACTED] provides regular reports with respect to the mortgages under administration.

Habitat Regina pays a fee for administration in the amount of 0.25% per annum of the outstanding principal balances of the mortgages under administration.

If after 90 days a mortgage is in default, Habitat Regina takes over [REDACTED] servicing responsibilities and takes whatever action is warranted in the circumstances including the start of foreclosure proceedings

### 8. ACCOUNTS PAYABLE

	2014	2013
Trade accounts payable	\$ 199,091	\$ 157,382
Employee remittances payable	-	(47)
Short term loan payable	5,000	-
Vacation payable	26,507	11,574
PST payable	567	24
Visa payable	522	522
RRSP	5,030	-
	<u>\$ 236,717</u>	<u>\$ 169,455</u>

HABITAT FOR HUMANITY REGINA INC

Notes to Financial Statements

Year Ended December 31, 2014

9. BANK LOANS AND OTHER LOANS AND MORTGAGES PAYABLE

A. BANK LOANS

The organization has a revolving demand credit facility in the amount of \$ 200,000 with the Royal Bank of Canada. The facility bears interest at the prime rate plus 0.75% and is secured by a general security agreement.

The organization also has access to two non-revolving term facilities not to exceed \$ 483,000 in aggregate and one non revolving facility not to exceed \$ 1,400,000 ( ) with the Royal bank of Canada. The facilities bear interest rate at the prime rate plus 0.75% and are secured by general security agreements.

B. OTHER

The organization also received a conditional grant from ( ) in the amount of \$ 250,000.

As at December 31, 2014 the following loans were outstanding:

1. ( ). The loan is a long-term with set repayment amount per year of \$ 2,468 bearing no interest.
2. ( ) The loan is repayable in monthly payments of \$ 4,667 for principal amount owing and interest at prime rate plus 0.75%.
3. ( ) in the amount of \$ 100,000. The loan has a term of five years bearing no interest.

( )

Current portion of long-term debt

	2014	2013
	\$ 90,820	\$ 93,288
	1,381,332	-
	100,000	-
	<u>(78,473)</u>	<u>-</u>
	<u>\$ 1,493,679</u>	<u>\$ 93,288</u>

10. FINANCIAL RISKS

Habitat has the following risks associated with its financial instruments:

Credit Risk

The Organization is exposed to credit risk in the event of non-payment of mortgages receivable by the partner families. Management believes that this credit risk is minimal as the carrying value of the mortgages is substantially less than the value of the underlying homes.

Interest Rate Risk

The Organization is exposed to fluctuations in interest rates as the banking facilities bear interest at variable rates. The mortgages receivable do not bear interest rate risk, as the effective interest rate is set for purposes of valuing mortgages as disclosed in note 7.

**HABITAT FOR HUMANITY REGINA INC**

**Notes to Financial Statements**

**Year Ended December 31, 2014**

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**11. CONTINGENCIES**

Habitat Regina is a party to Human Rights complaint in 2014, however, management of the organization believes that the resolution of this claim will not have a material adverse effect on Habitat Regina's financial position, earnings or liquidity.

**12. BUDGETING SALE OF PROPERTIES**

Habitat Regina recognizes the sale of property upon its completion and transition of title and mortgage to the partner family. Historically the organization has not budgeted for sales of properties. During 2014, seven houses (2013-seven houses) were completed and transferred to partner families.