

**HABITAT FOR HUMANITY
GREATER KINGSTON &
FRONTENAC INC.
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016**

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
TABLE OF CONTENTS
AS AT DECEMBER 31, 2016

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Schedule 1 - ReStore Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 19

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
of the Habitat for Humanity Greater Kingston & Frontenac Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity Greater Kingston & Frontenac Inc., which comprise the statement of financial position as at December 31, 2016 and the statements of changes in net assets, operations, Restore operations and cash flows for the year then ended, and 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

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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Habitat for Humanity Greater Kingston & Frontenac Inc. derives revenue from donations and fundraising, 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 Habitat for Humanity Greater Kingston & Frontenac Inc. and we were not able to determine whether, as at and for the years ended December 31, 2016 and December 31, 2015, any adjustments might be necessary to donations revenue, excess of revenue over expenditure, assets and fund balances.

Qualified Opinion

In our opinion, except for the possible effects 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 Greater Kingston & Frontenac Inc. as at December 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KINGSTON, Canada
May 8, 2017

Wilkinson Company LLP

Chartered Professional Accountants
Licensed Public Accountants

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

	2016	2015
	\$	\$
ASSETS		
CURRENT		
Cash	754,360	392,353
Accounts receivable	40,657	27,118
Prepaid expenses	2,884	5,858
Property held for resale - Note 6	135,203	
Donated asset for resale - Note 7		340,000
Government remittances receivable	26,729	
Current portion of mortgages receivable - Note 4	48,728	51,957
	1,008,561	817,286
FIRST MORTGAGES RECEIVABLE - Note 4	509,803	455,513
TANGIBLE CAPITAL ASSETS - Note 8	313,137	308,904
	1,831,501	1,581,703
LIABILITIES AND NET ASSETS		
CURRENT		
Demand loan - Note 9	130,000	142,000
Accounts payable and accrued liabilities	38,673	21,018
Deferred revenue	48,002	39,826
Government remittances payable	2,400	1,688
Current portion of long-term debt - Note 10	4,159	4,319
	223,234	208,851
LONG-TERM		
Deferred contributions related to tangible capital assets - Note 11	6,780	7,063
Long term debt - Note 10	6,878	11,037
	13,658	18,100
	236,892	226,951
NET ASSETS		
Invested in tangible capital assets - Note 13(a)	165,320	144,485
Unrestricted net assets	735,555	702,797
Invested in housing - Note 12(a)	693,734	507,470
	1,594,609	1,354,752
	1,831,501	1,581,703

APPROVED ON BEHALF OF THE BOARD

_____ Director
 _____ Director

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Invested in Tangible Capital Assets	Unrestricted	Invested in Housing	Total
	\$	\$	\$	\$
BALANCE - BEGINNING OF YEAR	144,485	702,797	507,470	1,354,752
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR		239,857		239,857
NET CHANGE IN INVESTED IN HOUSING - Note 12 (b)		(186,264)	186,264	
NET CHANGE IN INVESTED IN TANGIBLE CAPITAL ASSETS - Note 13 (b)	20,835	(20,835)		
BALANCE - END OF YEAR	165,320	735,555	693,734	1,594,609

FOR THE YEAR ENDED DECEMBER 31, 2015

	Invested in Tangible Capital Assets	Unrestricted	Invested in Housing	Total
	\$	\$	\$	\$
BALANCE - BEGINNING OF YEAR	135,535	285,182	545,090	965,807
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR		388,945		388,945
NET CHANGE IN INVESTED IN HOUSING - Note 12 (b)		37,620	(37,620)	
NET CHANGE IN INVESTED IN TANGIBLE CAPITAL ASSETS - Note 13 (b)	4,791	(4,791)		
TRANSFERS BETWEEN FUNDS	4,159	(4,159)		
BALANCE - END OF YEAR	144,485	702,797	507,470	1,354,752

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
	\$	\$
REVENUE		
Home sales - Note 6	3,597	
Donations and contributions	106,124	542,823
ReStore operations revenue - Schedule 1	517,692	422,728
Fundraising	38,505	46,106
Grants - other	5,000	951
Interest income	418	
Gain on sale of assets	5,000	
Amortization of deferred contributions	283	294
	676,619	1,012,902
EXPENSES		
Advertising	1,452	399
Affiliate dues	39,304	27,106
Amortization	13,577	12,585
Bank charges and interest	1,706	2,679
Fundraising	10,051	4,442
Office and administration	10,205	3,534
Other home build costs	8,075	18,202
Professional fees	7,458	9,083
ReStore operation expenses - Schedule 1	278,808	235,518
Telephone	1,832	1,456
Travel	5,976	4,192
Volunteer expenses	725	2,171
Wages and benefits	119,603	140,818
Impairment of donated asset - Note 7		180,000
Loss on sale of donated asset - Note 7	26,413	
	525,185	642,185
EXCESS OF REVENUE OVER EXPENSES BEFORE BELOW NOTED ITEM	151,434	370,717
ADJUSTMENT TO FAIR VALUE OF MORTGAGES RECEIVABLE - Note 14	88,423	18,228
EXCESS OF EXPENSES OVER REVENUE	239,857	388,945

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
SCHEDULE 1 - RESTORE OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
	\$	\$
REVENUE		
Product sales	450,068	388,469
Gift-in-Kind donations	60,762	23,926
Other income	6,862	10,333
	517,692	422,728
EXPENSES		
Advertising	1,429	1,361
Bank charges	5,355	3,836
Gift-in-kind goods for resale	60,762	23,926
Insurance	3,639	8,613
Interest on long-term debt	5,741	6,382
Office supplies	15,434	1,720
Rent and property taxes	12,857	13,404
Repairs and maintenance	11,381	10,421
Telephone	1,359	1,365
Travel	1,086	392
Utilities	14,844	15,593
Vehicle	9,029	11,191
Volunteer costs	1,630	435
Wages and benefits	134,262	136,879
	278,808	235,518
RESTORE INCOME FOR YEAR	238,884	187,210

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	239,857	388,945
Amortization of deferred contributions	(283)	(294)
Amortization of tangible capital assets	13,577	12,585
Adjustment to fair value of mortgages receivable	(88,423)	(18,228)
Impairment of donated asset		180,000
Net change in non-cash working capital balances related to operations -		
Accounts receivable	(13,539)	(15,897)
Property held for resale	(135,203)	
Donated asset held for resale	340,000	(520,000)
Prepaid expenses	2,974	(941)
Accounts payable and accrued liabilities	17,655	2,419
Deferred revenue	8,176	39,826
Government remittances receivable	(26,729)	
Government remittances payable	712	(3,329)
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	358,774	65,086
INVESTING ACTIVITIES		
Payments received on mortgages receivable	51,889	55,848
Net change in mortgages receivable	(14,527)	
Purchase of tangible capital assets	(17,810)	(923)
CASH FLOWS PROVIDED FROM INVESTING ACTIVITIES	19,552	54,925
FINANCING ACTIVITIES		
Increase (decrease) of demand loan	(12,000)	(12,000)
Repayment of long-term debt	(4,319)	(4,159)
CASH FLOWS USED IN FINANCING ACTIVITIES	(16,319)	(16,159)
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR YEAR	362,007	103,852
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	392,353	288,501
CASH AND CASH EQUIVALENTS - END OF YEAR	754,360	392,353
REPRESENTED BY:		
Cash and short-term investments	754,360	392,353

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. PURPOSE OF THE ORGANIZATION

Habitat for Humanity Greater Kingston & Frontenac Inc. was incorporated as a corporation without share capital by letters patent, dated June 1, 1994, under the Ontario Corporations Act. The organization is a non-profit, non-government charitable organization dedicated to improving the lives of economically disadvantaged persons through home ownership and to the belief that decent, affordable housing is a basic human need.

2. CHANGE IN OPERATIONS

Historically, Habitat for Humanity Greater Kingston & Frontenac Inc. operated a ReStore operation to help them fund their goal of providing affordable homes to families in need of housing. In 2016, Habitat for Humanity Greater Kingston & Frontenac entered into an agreement with Habitat for Humanity Canada to transfer the operation of the ReStore to their operation. This agreement has resulted in both organizations moving to a new location and an agreement that guarantees fixed payments to Habitat for Humanity Greater Kingston & Frontenac Inc. for the first three years, as well as payments in subsequent years to be calculated based on a percentage of profits. In addition to the guaranteed payments, Habitat for Humanity Greater Kingston & Frontenac Inc. has a purchase option on the new ReStore location.

The new ReStore grand opening was held on April 8, 2017 and the previous ReStore is no longer in operation.

3. ACCOUNTING POLICIES

Outlined below are those accounting policies adopted by the organization considered to be particularly significant:

(a) 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 revenues and expenses during the year. Significant items subject to such estimates and assumptions include valuation of accounts and mortgages receivable, and the estimated useful life of tangible capital assets. Actual results could differ from those estimates.

(b) Net Assets Invested in Housing

Net assets invested in housing are equal to the carrying value of the mortgages receivable and the properties held for resale.

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

3. ACCOUNTING POLICIES - (Cont'd)

(c) Tangible Capital Assets and Amortization

Tangible capital assets are stated at acquisition cost. Contributed capital assets are recognized at fair value at the date of contribution. If fair value cannot be reasonably determined, such contributions are not recorded. Repairs and maintenance costs are charged to expense. When a capital asset no longer contributes to the organization's ability to provide services, its carrying amount is written down to its residual value.

Amortization is provided at the following methods and amortization rates:

Asset	Basis	
Building	Declining balance	4%
Automotive	Straight-line	5 years
Tools and equipment	Straight-line	3 years
Computer equipment and software	Straight-line	3 years
Leasehold improvements	Straight-line	10 years

(d) Revenue Recognition

The organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue at the time related expenditures are incurred. Unrestricted contributions are recognized at the time the asset donated is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized in revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from sales of ReStore goods was recognized when the goods were sold in 2016. On a go forward basis, revenue from the ReStore will be recognized as it is due to be received based on the contract with Habitat for Humanity Canada.

(e) Contributed Goods and Services

Contributed goods and services are recorded as contributions at their estimated fair market value at the date of donation where the goods and/or services would otherwise be purchased. No recognition is made in the financial statements for time spent by individual volunteers in fund raising, administration or constructing homes. No recognition is made in the financial statements for goods contributed to the ReStore for resale until the goods are actually sold.

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

3. ACCOUNTING POLICIES - (Cont'd)

(f) Cash and Equivalents

Cash and equivalents consist of cash on deposit and bank term deposits in money market instruments with maturity dates of less than three months from the date they are acquired.

(g) Mortgages Receivable

Mortgages receivable are initially measured at the fair value of the consideration given when the Organization becomes party to the signed mortgage. As the instrument is an interest-free loan, fair value will be determined by discounting future cash flows at a fair market rate for the cost of borrowing for the term of the mortgage.

Prior to December 31, 2009, when a house was sold or renovation was completed, the new homeowner provided a first mortgage which was determined based on a formula using the cost of construction of the home. The home was then appraised and the difference between the appraised value and the first mortgage was the amount of the amount of value assigned to the second mortgage given by the homeowner. As payment of the second mortgage is contingent upon the occurrence of certain events, the second mortgage is not shown on the balance sheet as the likelihood of collection is remote. Any amount subsequently realized will be recognized as revenue in the period in which the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

As of January 1, 2010, the affiliate policy was changed, whereby a completed home will be appraised and the appraised fair market value will be assigned as the full amount of the mortgage to the homeowner.

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

4. FIRST MORTGAGES RECEIVABLE

	2016		2015	
	Fair Value \$	Book Value \$	Fair Value \$	Book Value \$
First mortgage, non-interest bearing, requiring monthly payments of \$567 to May 2034	74,933	146,733	71,688	153,315
First mortgage, non-interest bearing, requiring monthly payments of \$474 to June 2030	32,738	42,583	35,369	46,949
First mortgage, non-interest bearing, requiring monthly payments of \$314 to August 2040	48,051	120,611	47,489	124,368
First mortgage, non-interest bearing, requiring monthly payments of \$457 to January 2018	13,663	14,562	17,963	20,063
First mortgage, non-interest bearing, requiring monthly payments of \$400 to March 2033	71,259	161,598	69,938	166,398
First mortgage, non-interest bearing, requiring monthly payments of \$352 to May 2017	1,803	1,837	5,416	5,709
First mortgage, non-interest bearing, requiring monthly payments of \$522 to September 2031	102,228	134,328	71,209	140,599
First mortgage, non-interest bearing, requiring monthly payments of \$375 to November 2034	54,678	116,410	54,831	120,947

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

4. FIRST MORTGAGES RECEIVABLE - (Cont'd)

First mortgage, non-interest bearing, requiring monthly payments of \$468 to December 2034	58,259	108,801	58,855	113,923
First mortgage, non-interest bearing, requiring monthly payments of \$852 to July 2034	100,919	178,896		
Mortgage receivable paid during the year			74,712	170,957
	558,531	1,026,359	507,470	1,063,228
Less: Current portion	48,728	48,728	51,957	51,957
	509,803	977,631	455,513	1,011,271

5. SECOND MORTGAGES RECEIVABLE

Up to 2009, the second mortgage was calculated by taking the difference between the selling price and the appraised value of each home at the time it is sold to the recipient.

The terms are as follows:

The second mortgage may be reduced by a maximum of 25% after a period of 60% of the term of the mortgage (i.e. 12 years if the the mortgage term is 20 years).

The second mortgage may be forgiven in full upon final payment of the first mortgage or the mortgage has terminated, whichever is longer.

The second mortgage is not shown on the balance sheet as the likelihood of collection is remote considering the above options. In the unlikely event that the second mortgages are required to be paid, the amount of the second mortgages receivable is \$206,861 (2015 - \$206,861).

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

6. PROPERTY HELD FOR RESALE

	2016	2015
	\$	\$
Build in progress	135,203	NIL
Balance end of year	135,203	NIL

Agreements have been completed for the purchase of this property. The terms of the agreement require that the purchasing family complete their required work contribution to the organization before the transfer of title will be complete. Starting January 2017, the purchasing family will rent the property from Habitat for Humanity Greater Kingston & Frontenac Inc.

During the year, the organization repurchased a home from a mortgage holder and subsequently resold this property. The difference between the sale price and the fair market value realized on the resale resulted in a small gain for the organization.

7. DONATED ASSET HELD FOR RESALE

In 2015, Habitat for Humanity Greater Kingston and Frontenac Inc. received a donation of a house and property. A certified appraisal valued the house and property at \$520,000. The organization entered into a purchase and sale agreement prior to the end of 2015, which resulted in an impairment loss of \$180,000. Additional losses on the sale of this property were incurred in 2016 as a result of legal fees, real estate broker costs as well as maintenance on the property until the sale was completed.

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

8. TANGIBLE CAPITAL ASSETS

	2016		2015	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	120,000		120,000	
Building	245,256	75,838	245,256	68,779
Computer equipment	5,098	4,691	4,488	4,155
Computer software	710	710	710	710
Equipment	5,214	4,907	5,214	4,599
Leasehold improvements	11,786			
Vehicles	28,371	17,152	40,448	28,969
	416,435	103,298	416,116	107,212
Cost less accumulated amortization	\$ 313,137		\$ 308,904	

Land and building are no longer being used for operations effective December 2016.

9. DEMAND LOAN

The demand loan of \$130,000 is a line of credit with a limit of \$200,000 that is secured by the organization's land and building located at 323 Bath Road. Terms of the loan require monthly principal payments of \$1,000 plus interest payments calculated at the prime bank rate plus 2.85%.

10. LONG TERM DEBT

The long term debt consists of a 0% term loan that is secured by a vehicle and is repayable at \$160 bi-weekly on account of principal, due August 2019.

Long term debt payable	11,037	15,356
Less current portion of long term debt payable	4,159	4,319
	6,878	11,037

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

10. LONG TERM DEBT - (Cont'd)

The requirement for future repayment of long-term loans over the next five years is as follows:

	\$
2017	4,159
2018	4,159
2019	2,719
	11,037

11. DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2016	2015
	\$	\$
Balance beginning of year	7,063	7,357
Amortization of deferred contributions	283	294
Balance end of year	6,780	7,063

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

12. INVESTED IN HOUSING

(a) Invested in housing is calculated as follows:

	2016	2015
	\$	\$
Mortgage receivable - current portion	48,728	51,957
Mortgage receivable - long-term portion	509,803	455,513
Property held for resale	135,203	
	693,734	507,470

(b) Changes in invested in housing is calculated as follows:

	2016	2015
	\$	\$
Net change in mortgages receivable	51,061	(37,620)
Net change in property held for resale	135,203	
	186,264	(37,620)

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

13. INVESTED IN TANGIBLE CAPITAL ASSETS

(a) Invested in tangible capital assets is calculated as follows:

	2016	2015
	\$	\$
Capital Assets	313,137	308,904
Amounts financed by:		
Demand loan	(130,000)	(142,000)
Deferred contributions	(6,780)	(7,063)
Long-term debt	(11,037)	(15,356)
	165,320	144,485

(b) Change in net assets invested in tangible capital assets is calculated as follows:

	2016	2015
	\$	\$
Net change in investments in capital assets:		
Repayment of demand loan	12,000	12,000
Purchase of capital assets	17,810	923
Repayment of long-term debt	4,319	4,159
	34,129	17,082
Excess of expenses over revenue:		
Amortization of capital assets	(13,577)	(12,585)
Amortization of deferred contribution	283	294
	(13,294)	(12,291)
	20,835	4,791

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

14. ADJUSTMENT TO FAIR VALUE OF MORTGAGES

Mortgages receivable are remeasured at year-end based on the 25 year Bank of Canada zero-coupon bond yield and a risk premium to account for the risk nature of the mortgages receivable. Adjustments to the fair value of mortgages are shown on the Statement of Operations.

15. COMMITMENTS

The corporation has entered into an sublease agreement with Habitat for Humanity Canada commencing December 1, 2016 and ending October 31, 2026. The sublease requires the corporation to pay for approximately 9% of the total lease costs paid by Habitat for Humanity Canada relating to basic rent, realty taxes, operating costs and all other additional rental costs. In addition, the corporation has agreed to pay for 75% of the utility expenses relating to their portion of the new location.

16. FINANCIAL INSTRUMENTS

Financial instruments consist of accounts receivable, mortgages receivables, accounts payable and accrued liabilities, government remittances payable, the demand loan and the long term debt. The carrying amounts approximate their fair market value due to the immediate or short-term maturity of these financial instruments.

Credit Risk

Credit risk is the risk of financial loss to the corporation if a party to the corporation's financial instruments fails to discharge an obligation or make payments of interest and principal when due. The corporation is exposed to this risk relating to its debt holdings in its short term deposits and in mortgages receivable.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk, and equity risk.

Liquidity Risk

Liquidity risk is the risk that the corporation will not be able to meet all cash outflow obligations as they come due. The corporation mitigates this risk by monitoring cash activities and expected outflows.

HABITAT FOR HUMANITY GREATER KINGSTON & FRONTENAC INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

17. CAPITAL DISCLOSURES

The organization defines capital as its unrestricted net assets and its externally restricted contributions, which are classified as deferred contributions in the statement of financial position. The organization's objectives, with respect to managing capital, are to comply with externally imposed restrictions and hold sufficient unrestricted net assets to fund ongoing operations. The organization's primary operational objective is to build homes for its identified eligible partner families; and they have placed internal restrictions on otherwise unrestricted funds specifically for this purpose. The organization monitors its capital requirements and objectives through its budgeting process, its financial statement review process and reviews of the terms and conditions contained in its funding agreements. Management believes that the organization has adhered to all externally imposed restrictions.