

**HABITAT FOR HUMANITY KINGSTON
LIMESTONE REGION
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2017**

HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
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AS AT DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
of the Habitat for Humanity Kingston Limestone Region

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity Kingston Limestone Region, which comprise the statement of financial position as at December 31, 2017 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 Kingston Limestone Region 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 Kingston Limestone Region and we were not able to determine whether, as at and for the years ended December 31, 2017 and December 31, 2016, 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 Kingston Limestone Region as at December 31, 2017 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
April 23, 2018

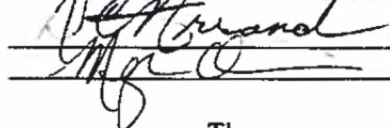
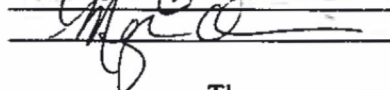
Wilkinson Company LLP

Chartered Professional Accountants
Licensed Public Accountants

HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

	Operating Fund \$	Invested In Housing \$	Total 2017 \$	Total 2016 \$
ASSETS				
CURRENT				
Cash	164,204	71,923	236,127	754,360
Short-term investments - Note 5	350,964	150,413	501,377	
Accounts receivable	20,475	50,000	70,475	40,657
Prepaid expenses	1,361		1,361	2,884
Property held for resale - Note 8		349,958	349,958	135,203
Government remittances receivable	9,269	31,181	40,450	26,729
Current portion of mortgages receivable - Note 6		85,086	85,086	48,728
Due from other funds	364,098		364,098	
	910,371	738,561	1,648,932	1,008,561
FIRST MORTGAGES RECEIVABLE - Note 6		681,229	681,229	509,803
TANGIBLE CAPITAL ASSETS - Note 9	31,472		31,472	313,137
	941,843	1,419,790	2,361,633	1,831,501
LIABILITIES AND NET ASSETS				
CURRENT				
Demand loan - Note 10				130,000
Note payable - Note 11		32,000	32,000	
Accounts payable and accrued liabilities	40,142	92,145	132,287	38,673
Deferred revenue		2,500	2,500	48,002
Government remittances payable	7,150		7,150	2,400
Current portion of long-term debt 14				4,159
Due to other funds		364,098	364,098	
	47,292	490,743	538,035	223,234
LONG-TERM				
Deferred contributions - Note 12				6,780
Long term debt				6,878
				13,658
	47,292	490,743	538,035	236,892
NET ASSETS				
Invested in tangible capital assets - Note 13(a)	31,472		31,472	165,320
Unrestricted net assets	863,079		863,079	735,555
Invested in housing		929,047	929,047	693,734
	894,551	929,047	1,823,598	1,594,609
	941,843	1,419,790	2,361,633	1,831,501

APPROVED ON BEHALF OF THE BOARD

 Director
 Director

The accompanying notes form an integral part of these financial statements

**HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Invested in Tangible Capital Assets \$	Unrestricted \$	Invested in Housing \$	Total \$
BALANCE - BEGINNING OF YEAR	165,320	735,555	693,734	1,594,609
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR		(6,324)	235,313	228,989
NET CHANGE IN INVESTED IN TANGIBLE CAPITAL ASSETS - Note 13 (b)	(133,848)	133,848		
BALANCE - END OF YEAR	31,472	863,079	929,047	1,823,598

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		(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

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund \$	Invested in Housing \$	Total 2017 \$	Total 2016 \$
REVENUE				
Home sales		430,863	430,863	3,597
Donations and contributions	42,266	99,952	142,218	106,124
ReStore operations revenue - Schedule 1				517,692
ReStore transfers from national office	162,504		162,504	
Fundraising, bingo and other income	25,129	9,163	34,292	38,923
Grants - Note 14	19,504	41,827	61,331	5,000
Rental income		10,966	10,966	
Gain on sale of assets	42,143		42,143	5,000
Amortization of deferred contributions	6,780		6,780	283
	298,326	592,771	891,097	676,619
EXPENSES				
Advertising	14,188		14,188	1,452
Affiliate dues	19,571		19,571	39,304
Amortization	8,800		8,800	13,577
Bank charges and interest	1,359		1,359	1,706
Fundraising	12,983		12,983	10,051
Insurance	2,780	165	2,945	756
Occupancy costs	14,597		14,597	
Office and administration	19,920		19,920	9,449
Costs of house sales		301,711	301,711	8,075
Professional fees	7,665		7,665	7,458
Rental expenses		7,286	7,286	
ReStore operation expenses - Schedule 1				278,808
Telephone and utilities	4,704		4,704	1,832
Travel	12,910		12,910	5,976
Volunteer expenses	130		130	725
Wages and benefits	185,043		185,043	119,603
Loss on sale of donated asset				26,413
	304,650	309,162	613,812	525,185
EXCESS OF REVENUE OVER EXPENSES BEFORE BELOW NOTED ITEM				
	(6,324)	283,609	277,285	151,434
ADJUSTMENT TO FAIR VALUE OF MORTGAGES RECEIVABLE - Note 15				
		(48,296)	(48,296)	88,423
EXCESS OF EXPENSES OVER REVENUE				
	(6,324)	235,313	228,989	239,857

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
SCHEDULE 1 - RESTORE OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	\$	\$
REVENUE		
Product sales		450,068
Gift-in-Kind donations		60,762
Other income		6,862
	NIL	517,692
EXPENSES		
Advertising		1,429
Bank charges		5,355
Gift-in-kind goods for resale		60,762
Insurance		3,639
Interest on long-term debt		5,741
Office supplies		15,434
Rent and property taxes		12,857
Repairs and maintenance		11,381
Telephone		1,359
Travel		1,086
Utilities		14,844
Vehicle		9,029
Volunteer costs		1,630
Wages and benefits		134,262
	NIL	278,808
RESTORE INCOME FOR YEAR	NIL	238,884

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund \$	Invested in Housing \$	Total 2017 \$	Total 2016 \$
OPERATING ACTIVITIES				
Excess of revenue over expenses	(6,324)	235,313	228,989	239,857
Amortization of deferred contributions	(6,780)		(6,780)	(283)
Amortization of tangible capital assets	8,800		8,800	13,577
Adjustment to fair value of mortgages receivable		48,296	48,296	(88,423)
Gain on sale of building	(42,143)		(42,143)	
Net change in non-cash working capital balances related to operations -				
Accounts receivable	20,182	(50,000)	(29,818)	(13,539)
Donated asset held for resale				340,000
Prepaid expenses	1,523		1,523	2,974
Accounts payable and accrued liabilities	1,469	92,145	93,614	17,655
Deferred revenue	(48,002)	2,500	(45,502)	8,176
Government remittances receivable	17,460	(31,181)	(13,721)	(26,729)
Government remittances payable	4,750		4,750	712
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	(49,065)	297,073	248,008	493,977
INVESTING ACTIVITIES				
Payments received on mortgages receivable		102,586	102,586	51,889
Purchase of short-term investments	(350,964)	(150,413)	(501,377)	
Mortgage advances		(358,666)	(358,666)	(14,527)
Expenditures on properties held for resale		(214,755)	(214,755)	(135,203)
Purchase of tangible capital assets	(26,037)		(26,037)	(17,810)
Disposal of tangible capital assets	341,045		341,045	
Transfers between funds	329,654	(329,654)		
CASH FLOWS USED IN INVESTING ACTIVITIES	293,698	(950,902)	(657,204)	(115,651)
FINANCING ACTIVITIES				
Decrease in demand loan	(130,000)		(130,000)	(12,000)
Increase in note payable		32,000	32,000	
Repayment of long-term debt	(11,037)		(11,037)	(4,319)
CASH FLOWS USED IN FINANCING ACTIVITIES	(141,037)	32,000	(109,037)	(16,319)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR YEAR	103,596	(621,829)	(518,233)	362,007
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	60,608	693,752	754,360	392,353
CASH AND CASH EQUIVALENTS - END OF YEAR	164,204	71,923	236,127	754,360
REPRESENTED BY:				
Cash and short-term investments	164,204	71,923	236,127	754,360

The accompanying notes form an integral part of these financial statements

**HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. PURPOSE OF THE ORGANIZATION

Habitat for Humanity Kingston Limestone Region 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.

The organization changed its name in April 2017 from Habitat for Humanity Greater Kingston & Frontenac to Habitat for Humanity Kingston Limestone Region.

2. CHANGE IN OPERATIONS

Historically, Habitat for Humanity Kingston Limestone Region operated a ReStore operation to help them fund their goal of providing affordable homes to families in need of housing. In 2016, the organization entered into an agreement with Habitat for Humanity Canada to transfer the operation of the ReStore to the latter's operation. This agreement has resulted in both organizations moving to a new location and an agreement that guarantees fixed payments to Habitat for Humanity Kingston Limestone Region 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 Kingston Limestone Region has a purchase option on the new ReStore business.

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

3. COMPARATIVE AMOUNTS

Certain of the prior year's financial statements amounts have been regrouped to conform with the current year's presentation.

4. 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.

**HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

4. ACCOUNTING POLICIES - (Cont'd)

(b) Fund accounting

The accompanying financial statements include the activities of the organization for which the Board of Directors is legally accountable. In order to properly reflect its activities, the organization maintains its accounts in accordance with the principles of "fund accounting" in order that limitations and restrictions placed on the use of available resources are observed. Under fund accounting, resources for various purposes are classified for accounting and reporting into funds in accordance with activities or objectives specified.

The Unrestricted Fund accounts for the cost of operations, financed by donations, home sales, transfers from other charities, grants, fundraising and other general income.

The Invested in Tangible Capital Assets Fund accounts for the cost and accumulated depreciation of investments in long-term tangible capital assets, for use in either operations or in the construction of homes, as well as liabilities related to the financing of these assets.

The Invested in Housing Fund accounts for the costs of home construction in progress, and financial instruments related to the construction and sale of homes, particularly mortgages receivable and loans for the purpose of construction.

The statement of financial position represents the combined position of all the funds of the corporation.

(c) 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.

(d) 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

**HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

4. ACCOUNTING POLICIES - (Cont'd)

(e) Contributed services

Volunteers contributed a significant amount of time during the year in assisting the organization to carry out its services. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(f) Revenue Recognition

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.

(g) 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.

(h) 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.

(i) Investments

Investments are recorded at fair market value.

HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

4. ACCOUNTING POLICIES - (Cont'd)

(j) 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 KINGSTON LIMESTONE REGION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

5. SHORT-TERM INVESTMENTS

Short-term investments consist of the following.

	2017	2016
	\$	\$
UNRESTRICTED		
1.5% Kawartha Credit Union GIC, maturing October 25, 2018	150,000	
1.5% Kawartha Credit Union GIC, maturing October 25, 2018	200,000	
Accrued interest	964	
	350,964	
RESTRICTED - INVESTED IN HOUSING		
1.5% Kawartha Credit Union GICs, maturing October 25, 2018	150,000	
Accrued interest	413	
	150,413	
Balance end of year	501,377	NIL

6. FIRST MORTGAGES RECEIVABLE

	2017		2016	
	Fair Value	Book Value	Fair Value	Book Value
	\$	\$	\$	\$
First mortgage, non-interest bearing, requiring monthly payments of \$582 to May 2034	74,281	139,841	74,933	146,733
First mortgage, non-interest bearing, requiring monthly payments of \$474 to June 2030	28,573	35,709	32,738	42,583
First mortgage, non-interest bearing, requiring monthly payments of \$314 to August 2040	48,065	116,841	48,051	120,611
Subtotal	150,919	292,391	155,722	309,927

HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

6. FIRST MORTGAGES RECEIVABLE - (Cont'd)

	2017		2016	
	Fair Value \$	Book Value \$	Fair Value \$	Book Value \$
Subtotal brought forward	150,919	292,391	155,722	309,927
First mortgage, non-interest bearing, requiring monthly payments of \$507 to January 2020	8,307	8,778	13,663	14,562
First mortgage, non-interest bearing, requiring monthly payments of \$634 to March 2033	68,125	110,909	71,259	161,598
First mortgage, non-interest bearing, requiring monthly payments of \$352 to May 2017			1,803	1,837
First mortgage, non-interest bearing, requiring monthly payments of \$522 to September 2031	101,054	128,069	102,228	134,328
First mortgage, non-interest bearing, requiring monthly payments of \$375 to November 2034	54,088	111,904	54,678	116,410
First mortgage, non-interest bearing, requiring monthly payments of \$492 to December 2034	58,174	103,041	58,259	108,801
First mortgage, non-interest bearing, requiring monthly payments of \$818 to July 2034	96,011	168,770	100,919	178,896
First mortgage, non-interest bearing, requiring monthly payments of \$1,551 to January 2038	133,461	189,651		
First mortgage, non-interest bearing, requiring bi-weekly payments of \$379 to February 2038	96,176	169,015		
	766,315	1,282,528	558,531	1,026,359
Less: Current portion	85,086	85,086	48,728	48,728
	681,229	1,197,442	509,803	977,631

**HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

7. 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 (2016 - \$206,861).

8. PROPERTY HELD FOR RESALE

	2017	2016
	\$	\$
Single family home builds in program		135,203
Duplexhome builds in progress	349,958	
Balance end of year	349,958	135,203

During the year, the organization sold the property that was held for sale in the previous year as well as building and selling a second property. At the end of the year the construction of a duplex home was in progress.

HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

9. TANGIBLE CAPITAL ASSETS

	2017		2016	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land			120,000	
Building			245,256	75,838
Computer equipment	9,625	5,649	5,098	4,691
Computer software			710	710
Equipment	8,256	1,376	5,214	4,907
Leasehold improvements	15,864	793	11,786	
Vehicles	28,371	22,826	28,371	17,152
	62,116	30,644	416,435	103,298
Cost less accumulated amortization	\$ 31,472		\$ 313,137	

Land and building were disposed of during 2017. Costs were incurred in 2017 for leasehold improvements, computer and building equipment.

10. DEMAND LOAN

The demand loan was secured by the organization's land and building. The principal was paid in 2017 at the same time as the disposal of the land and building.

A line of credit is approved with a limit of \$195,152, bearing interest at 3.20% per annum, to be used towards home build costs. The balance of funds borrowed on this line of credit at December 31, 2017 is nil.

11. NOTE PAYABLE

Note payable consists of a seed loan for a construction project. The seed loan is unsecured, with no terms of repayment and non-interest bearing until either the borrower obtains project financing, the project is terminated, or five years, whichever is earlier. After that point, the loan will bear interest at prime plus 2%.

HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

12. 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. In the current year, the organization fully realized deferred contributions that were associated with the building that was disposed of.

	2017	2016
	\$	\$
Balance beginning of year	6,780	7,063
Amortization of deferred contributions	6,780	283
Balance end of year	NIL	6,780

13. INVESTED IN TANGIBLE CAPITAL ASSETS

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

	2017	2016
	\$	\$
Capital Assets	31,472	313,137
Amounts financed by:		
Demand loan		(130,000)
Deferred contributions		(6,780)
Long-term debt		(11,037)
	31,472	165,320

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

	2017	2016
	\$	\$
Net change in investments in capital assets:		
Repayment of demand loan	130,000	12,000
Purchase of capital assets	26,037	17,810
Disposal of capital assets	(298,902)	
Repayment of long-term debt	11,037	4,319
	(131,828)	34,129
Excess of expenses over revenue:		
Amortization of capital assets	(8,800)	(13,577)
Amortization of deferred contribution	6,780	283
	(2,020)	(13,294)
	(133,848)	20,835

**HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

14. GRANTS RECEIVED

Grants received consists of:

	2017 \$	2016 \$
Restricted grants:		
Canada Mortgage and Housing Corporation	12,000	
Community Foundation for Kingston & Area	9,827	
Harold E. Ballard Foundation	10,000	10,000
Rotary Club of Cataraqui-Kingston	2,500	
Youth Philanthropy Initiative		5,000
<hr/>		
Restricted grants received	34,327	15,000
Deferred to subsequent years	(2,500)	(10,000)
Realized deferred grants from prior years	10,000	
<hr/>		
Restricted grant revenue	41,827	5,000
<hr/>		
Unrestricted grants:		
John Howard Society	13,104	
Ministry of Seniors Affairs	6,400	
<hr/>		
Unrestricted grant revenue	19,504	
<hr/>		
Total grant revenue	61,331	5,000

15. 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.

16. CONTINGENT LIABILITIES

The organization is the guarantor of four loans whose initial principal amounts total \$190,000. These loans were for the purpose of down payments on homes sold by the organization. In the event of default on any of these loans, the organization has the right to repossess the mortgaged home, but has the obligation to pay the balance of the outstanding loan. The likelihood of such an event is not measurable and no amount has been recorded in the financial statements.

During 2017 the organization issued two letters of credit totalling \$304,848, which may become payable to the City of Kingston if work on a current construction project is cancelled. The likelihood of such an event is not measurable and no amount has been recorded in the financial statements.

**HABITAT FOR HUMANITY KINGSTON LIMESTONE REGION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

17. COMMITMENTS

The organization has entered into a 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.

18. 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 KINGSTON LIMESTONE REGION
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19. SUBSEQUENT EVENT

Subsequent to the end of the year, the organization entered into a revised agreement with Habitat for Humanity Canada, in which the ReStore transfers from the national office will be increased. In 2018 the organization will receive \$50,000 plus the greater of 70% of ReStore profits or \$172,500. In 2019 it will receive the greater of 70% of ReStore profits or \$182,500. Thereafter the organization will receive 70% of ReStore profits.

20. 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.