WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

Scarrow & Donald LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

April 7, 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of
Winnipeg Habitat for Humanity Inc.:

We have audited the accompanying non-consolidated financial statements of Winnipeg Habitat for Humanity Inc., which comprise the non-consolidated statement of financial position as at December 31, 2015, and the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated 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 non-consolidated 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 non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Winnipeg Habitat for Humanity Inc. as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Scarrow & Donald LLP

Chartered Professional Accountants
Winnipeg, Canada

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	2015	2014
ASSETS		
Current assets:		
Cash and deposits	$ 1,056,307	$ 1,251,118
Accounts receivable	275,699	164,548
Government remittances recoverable	-	11,337
Inventory	4,289	15,453
Refundable deposits and prepaid expenses	254,276	283,036
Scheduled repayments of mortgages receivable (Note 3)	1,219,214	1,016,692
Current assets before mortgages receivable	2,809,785	2,742,184
Mortgages receivable (Note 3)	29,209,106	25,140,216
	32,018,891	27,882,400
Construction in progress	1,730,144	2,448,257
Residential property	1,979,265	1,564,033
Property and equipment (Note 4)	1,076,833	1,065,087
Investment in subsidiaries (Note 5)	24,161	25,340
	$ 36,829,294	$ 32,985,117
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,071,596	$ 723,196
Government remittances payable	27,895	7,810
Escrow accounts	225,700	202,800
Deferred contributions (Note 6)	37,784	61,575
Scheduled repayments of debt (Note 7)	492,876	401,656
Current liabilities before callable debt	1,855,851	1,397,037
Callable debt (Note 7)	4,711,802	4,341,430
Total current liabilities	6,567,653	5,738,467
Net assets:		
Invested in property and equipment	574,084	588,986
Internally restricted chapter funds	712,837	1,190,455
Unrestricted	28,974,720	25,467,209
	30,261,641	27,246,650
	$ 36,829,294	$ 32,985,117

APPROVED BY THE BOARD:

____________________ **Director** ____________________ **Director**

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended December 31 2015	Year ended December 31 2014
Revenue:		
Donations-		
Cash contributions and grants	$ 2,958,161	$ 3,500,185
Construction materials	460,166	233,384
Habitat ReStore	2,170,923	1,751,965
Special events (Note 9)	634,370	610,643
Miscellaneous	180,212	126,130
Transfer price of residential properties	5,772,471	4,779,543
	12,176,303	11,001,850
Expenses:		
Amortization	26,357	28,783
Automotive	18,450	24,572
Bank charges and interest	28,734	23,152
Cost of transferred residential properties (Note 10)	5,569,893	4,266,636
Habitat ReStore (Schedule)	1,271,997	1,034,843
Homeowner selection and support	7,696	16,786
Insurance	5,728	6,862
Office	144,644	101,573
Professional fees	78,668	81,229
Property taxes	7,642	8,526
Public relations, media and promotions	110,135	90,831
Repairs and maintenance and home warranty	46,549	297,257
Salaries and benefits	1,208,413	1,224,329
Special events (Note 9)	134,394	125,519
Telephone	14,818	13,167
Tithe	10,000	10,000
Training	7,525	16,494
Travel and conference	34,113	27,930
Utilities	6,937	7,579
Volunteer stipend and meals	25,560	41,189
	8,758,253	7,447,257
Excess of revenue over expenses before the following:	3,418,050	3,554,593
Equity loss from subsidiaries (Note 5)	(7,962)	(14,816)
(Loss) gain on sale of residential properties	(3,415)	142,115
Interest income	15,323	9,313
Habitat for Humanity Canada Affiliation fees	(105,673)	(65,719)
Interest on long-term debt	(185,540)	(172,935)
Accreted interest on long-term debt	(9,829)	(10,136)
Accreted interest income on mortgages receivable	1,028,402	906,153
Fair value adjustment of mortgages receivable	(1,134,365)	(922,039)
	(403,059)	(128,064)
Excess of revenue over expenses	$ 3,014,991	$ 3,426,529

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Net assets invested in property and equipment	Internally restricted chapter funds	Unrestricted	Year ended December 31 2015	Year ended December 31 2014
Net assets, beginning of year	$ 588,986	$ 1,190,455	$ 25,467,209	$ 27,246,650	$ 23,820,121
Excess of revenue (deficiency) over expenses	(137,020)	-	3,152,011	3,014,991	3,426,529
Internal transfer of chapter funds	-	(477,618)	477,618	-	-
Net additions to property and equipment, net of change in related debt	122,118	-	(122,118)	-	-
Net assets, end of year	$ 574,084	$ 712,837	$ 28,974,720	$ 30,261,641	$ 27,246,650

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31	
	2015	2014
Cash flow from operating activities:		
Excess of revenue over expenses	$ 3,014,991	$ 3,426,529
Adjustments for:		
Amortization	137,020	127,521
Donated residential properties	(249,827)	(272,189)
Accreted interest income on mortgages receivable	(1,028,402)	(906,153)
Accreted interest on long-term debt	9,829	10,136
Income reduction on fair value adjustment of mortgages receivable	1,134,365	922,039
Excess of residential property transfer price over costs	(202,578)	(512,907)
Equity loss from subsidiaries	7,962	14,816
	2,823,360	2,809,792
Changes in the following:		
Accounts receivable	(111,151)	122,235
Government remittances recoverable/payable	31,422	6,757
Inventory	11,164	21,944
Refundable deposits and prepaid expenses	28,760	(156,918)
Accounts payable and accrued liabilities	348,400	(110,137)
Escrow accounts	22,900	37,200
Deferred contributions	(23,791)	(66,448)
	3,131,064	2,664,425
Cash flow from financing activities:		
Proceeds on long-term debt	809,467	369,202
Repayment of long-term debt	(357,704)	(283,883)
	451,763	85,319
Cash flow from investing activities:		
Mortgage receivable payments received	1,395,096	1,137,419
Acquisition and construction of residential property	(5,017,185)	(3,771,769)
Purchase of property and equipment	(148,766)	(82,923)
Change in advances	(6,783)	(202,839)
	(3,777,638)	(2,920,112)
Change in cash	(194,811)	(170,368)
Cash, beginning of year	1,251,118	1,421,486
Cash, end of year	$ 1,056,307	$ 1,251,118

1. Nature of operations:

Winnipeg Habitat for Humanity Inc. (the "Organization"), incorporated June 27, 1987 in the Province of Manitoba, is a not-for-profit organization that provides housing to economically disadvantaged persons in Manitoba. The prospective homeowner makes a commitment by contributing "sweat equity" hours. Mortgages on the homes are non-interest bearing.

During the year, the Organization started 16 (2014 – 24) homes and finished 5 (2014 – 6) of these. In addition, the Organization finished 19 (2014 – 18) homes started in the prior years.

Habitat ReStore commenced operation in April 1991. Its principal activity is selling materials and supplies which are donated by companies or individuals.

The Organization is a registered charity and is exempt from income taxes under the provisions of the Income Tax Act.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the Organization will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

a) Critical accounting estimates and judgments-

The preparation of financial statements requires management to make estimates and judgments 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 reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Cash and deposits

Cash and deposits consist of balances held at financial institutions.

2. **Significant accounting policies** (continued):

c) Inventory-

Inventory consists of home construction inventory, Habitat ReStore inventory and supplies. Home construction inventory and supplies are recorded at the lower of cost and net replacement cost, with cost being determined using the first-in, first-out method. Cost includes the purchase price including applicable taxes and delivery charges.

Habitat ReStore inventory, which primarily consists of donated re-cycled materials and obsolete, damaged or surplus materials from suppliers and manufacturers, is recorded at a nominal amount.

d) Construction in progress-

Construction in progress represents direct costs incurred by the Organization and contributed materials and residential property that have been recognized in accordance with the accounting policy described in Note 2(g) relating to homes that are not yet complete. Construction in progress is recorded at the lower of cost and net realizable value.

e) Property and equipment-

Property and equipment are stated at cost less accumulated amortization. Contributed property and equipment are recorded at fair value at the date of contribution. This requires estimation of the useful life of the asset and residual value. When property and equipment no longer has any long-term service potential, the excess of its net carrying amount over any residual value is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Property and equipment are amortized on the basis of their useful life using the following rates and methods:

	Rate	Method
Buildings	5%	Straight-line
Furniture, fixtures and computer equipment, equipment and automotive	33-1/3% - 50%	Straight-line
Telephone equipment	20%	Straight-line

f) Revenue recognition-

The Organization follows the deferral method of accounting for contributions. Restricted contributions, which include those related to special events, are deferred and recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

ReStore sales, commissions and sale of merchandise and miscellaneous are recognized upon receipt of payment for products purchased or services provided.

Homes are sold to Habitat partner families subject to specific conditions in the mortgage. The Organization provides the new homeowner with a first mortgage, and a non-forgivable second mortgage if applicable, which is determined based on a formula using the estimated appraised value of the home.

Interest income is recognized on a time proportion basis.

2. **Significant accounting policies** (continued):

g) Contributions-

Contributed materials which are used in home construction projects are recognized as revenue when the fair value of such materials can be determined.

Contributed materials which are sold through the Habitat ReStore are recorded in inventory at a nominal amount due to the difficulty in determining the fair value of the contributed materials.

Contributed residential property is recorded at fair market value at the time of donation when information concerning fair values is available. If the fair value is not determinable, the contribution is recorded at a nominal amount.

Volunteers contribute significant services to assist the Organization in its construction projects. Because of the difficulty in determining fair value, contributed services are not recorded in the financial statements.

h) Residential property-

Residential property is recorded at the lesser of cost and the estimated transfer price to the prospective homeowner. Cost is comprised of land, land development, material and subcontract costs, with cost being determined using specified unit cost. Residential property is not amortized as the properties are expected to be sold to partner families within one year.

i) Investments – subsidiaries-

The Organization owns 100% of the common shares of 4875185 Manitoba Ltd. and 100% of the common shares of HFHW Land Development Inc. The Organization issues only non-consolidated financial statements and accounts for these investments in subsidiaries using the equity method.

j) Internally restricted Chapter funds -

Certain contributions are received through Chapters of the Organization for builds in certain geographic regions of the Province of Manitoba and the City of Kenora, Ontario. Because the Chapters do not undertake a build project in their geographic region every year, the Organization has internally restricted funds designated for building homes in the Organization's Chapters. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

2. **Significant accounting policies** (continued):

k) Financial instruments-

Except for certain related party transactions, financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in the difference between revenues and expenses for the period incurred.

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may incur on sale or other disposal. The Organization may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Organization measures cash and deposits, accounts receivable, refundable deposits, mortgages receivable, accounts payable and accrued liabilities, advances from subsidiaries, escrow accounts and callable debt at amortized cost.

3. **Mortgages receivable:**

The Organization holds first mortgages on 194 (2014 – 180) residential properties. These mortgages are non-interest bearing and are repayable in variable monthly installments based on the mortgagees' income which is reviewed on an annual basis. The mortgages are due within one year. The Organization has the right to extend the term of the mortgage with the homeowner at the same terms, different terms or demand repayment on renewal.

			Amortization cost	
	Face value	Discount	2015	2014
Mortgages receivable	$ 31,494,179	$ (1,065,859)	$ 30,428,320	$ 26,156,908
Less: scheduled repayments of mortgages receivable			1,219,214	1,016,692
			$ 29,209,106	$ 25,140,216

The fair value of these mortgages receivable is based on discounting the mortgages with an effective rate of 3.60% (December 31, 2014 – 3.75%) and a term of one year (December 31, 2014 – one year).

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

4. Property and equipment:

	2015		2014	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 247,351	$ -	$ 247,351	$ -
Buildings	1,901,994	1,285,713	1,901,994	1,190,555
Furniture, fixtures and computer equipment	659,573	488,601	543,098	457,143
Equipment	99,598	99,598	108,093	99,464
Automotive	164,985	122,756	124,199	112,486
Telephone equipment	33,502	33,502	33,502	33,502
	$ 3,107,003	$ 2,030,170	$ 2,958,237	$ 1,893,150
Net book value	$ 1,076,833		$ 1,065,087	

Amortization expense for the year ended December 31, 2015 is $137,020 (2014 - $127,521). Of this amount $5,124 (2014 - $4,704) is included in cost of transferred residential properties.

5. Investment in subsidiaries:

(i) The Organization owns 100% of 4875185 Manitoba Ltd. The subsidiary was incorporated on February 18, 2004 under The Corporations Act in Manitoba. These shares were received as a gift on February 18, 2004 and have been recorded at the fair market value of the shares at that date, estimated to be $260. The subsidiary purchases products and sells them through the Habitat ReStore on a consigned basis. The Habitat ReStore receives a commission for selling the subsidiary's inventory.

The Organization's investment in the subsidiary, accounted for using the equity method, is as follows:

	2015	2014
Balance, beginning of year	$ 25,387	$ 35,526
Net income (loss)	(5,916)	(10,139)
Balance, end of year	$ 19,471	$ 25,387

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

5. **Investment in subsidiaries** (cont'd):

Summary financial information of the subsidiary is as follows:

	2015	2014
Financial position		
Total assets	$ 68,567	$ 79,951
Total liabilities	49,345	54,813
Total shareholder's equity	19,222	25,138
	68,567	79,951
Results of operations		
Total revenues	51,399	52,056
Total expenses	57,315	62,195
Net loss	$ (5,916)	$ (10,139)
Cash flow (used in) from		
Operating activities	$ (2,495)	$ 3,189
(Decrease) increase in cash	$ (2,495)	$ 3,189

During the year, the Organization earned commissions from the subsidiary in the amount of $35,980 (2014 - $36,437). In addition, included in accounts payable of the Organization is an amount of $62,938 (2014 - $66,569) owing to the subsidiary. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(ii) The Organization owns 100% of HFHW Land Development Inc. The subsidiary was incorporated on February 26, 2008 under The Corporations Act in Manitoba. This subsidiary was established to facilitate the occasional acquisition of land for the purpose of resale into the general market.

The Organization's investment in the subsidiary, accounted for using the equity method, is as follows:

	2015	2014
Advances to subsidiary, non-interest bearing, no set terms of repayment	19,817	13,034
Investment in subsidiary		
Balance, beginning of year	(13,081)	(8,404)
Net loss	(2,046)	(4,677)
Balance, end of year	(15,127)	(13,081)
	$ 4,690	$ (47)

5. Investment in subsidiaries (cont'd):

Summary financial information of the subsidiary are as follows:

	2015	2014
Financial position		
Total assets	$ 4,690	$ 99,953
Total liabilities	19,817	113,034
Total shareholder's equity	(15,127)	(13,081)
	4,690	99,953
Results of operations		
Total expenses	2,046	4,677
Net loss	$ (2,046)	$ (4,677)
Cash flow (used in) from		
Operating activities	$ (2,046)	$ (4,677)
Financing activities	(93,217)	102,850
Change in cash	$ (95,263)	$ 98,173

Advances from subsidiary are non-interest bearing with no set terms of repayment.

6. Deferred contributions:

	2015	2014
Beginning balance	$ 61,575	$ 128,023
Add: Contributions received during the year	46,015	61,575
	107,590	189,598
Less: Amounts amortized to revenue	69,806	128,023
Ending balance	$ 37,784	$ 61,575

Contributions received are for activities in the following year.

7. Callable debt:

	2015	2014
Demand mortgage payable - interest at the financial institution's standard rate plus 0.75% (2014 - 0.75%), monthly principal and interest payments of $3,845 (2014 - $8,250)	$ 457,921	$ 409,044
Demand mortgages payable - interest at a fixed rate of 4%, monthly principal and interest payments of $4,300 to $11,787, secured by a registered multi-purpose mortgage creating a first charge on specified residential properties	1,442,997	1,575,927
Demand mortgages payable - interest at the financial institution's standard rate plus 1% (2014 - 1%), monthly principal and interest payments ranging from $200 to $3,700 (2014 - $200 to $6,247), secured by registered multi-purpose mortgages creating a first charge on specified residential properties	539,787	2,496,741
Demand mortgages payable - face value of $211,203 (2014 - $233,223) non-interest bearing, monthly principal payments of $250 - $335 (2014 - $335 to $1,000), recorded at amortized cost using discount rates ranging from 4.9% to 6.5% (2014 - 4.9% to 6.5%)	156,072	168,374
Demand revolving term loan payable - interest at the financial institution's standard rate plus 1% (2004 - nil%), interest payments only	97,530	-
Demand mortgage payable - interest at a fixed rate of 3.65% (2014 -nil%), monthly principal and interest payments of $19,235, secured by a registered multi-purpose mortgage creating a first charge on specified residential properties	2,357,371	-
Demand mortgage payable - interest at the financial institution's standard rate plus 1% (2014 - nil%), interest payments only, monthly principal and interest payments commencing January 2016, secured by a registered multi-purpose mortgage creating a first charge on specified residential properties	153,000	-
Demand loan payable - non-interest bearing, payment in full due September 1, 2015	-	45,000
Demand loan payable - non-interest bearing, payment in full due May 1, 2015	-	48,000
	5,204,678	4,743,086
Less: Scheduled principal payments for one year	492,876	401,656
Callable debt	$ 4,711,802	$ 4,341,430

In addition to the security outlined above, all long term debt is secured by a general security agreement creating a first charge on all assets, the specific assignment of mortgages receivable, a letter of undertaking providing the lender the right to register a caveat on titles related to the mortgage receivables in the event of the Organization's default, the assignment of fire insurance and an all obligations mortgage in the amount of $4,000,000 creating a first charge on land and buildings at 60 Archibald Street, Winnipeg, Manitoba.

7. **Callable debt** (continued):

Management does not believe that the demand features of the callable debt will be exercised in the current period. Assuming payment of the callable debt is not demanded, regular principal payments required on all long-term debt for the next five years are due as follows:

2016	$492,876
2017	414,056
2018	381,410
2019	393,357
2020	405,067
Thereafter	3,117,912

The Organization has an authorized operating line of $600,000 (December 31, 2014 – $600,000) of which $nil is drawn (2014 - $nil), that bears interest at the financial institution's standard rate plus 1.0% (2014 – standard rate plus 1.0%) and is secured by a general security agreement creating a first charge on all assets, the specific assignment of mortgage receivable, the assignment of fire insurance and an all obligations mortgage in the amount of $4,000,000 creating a first charge on land and buildings at 60 Archibald Street, Winnipeg, Manitoba. The line is subject to annual review from the financial institution.

The Organization must meet certain financial covenants. As at year end the Organization was in compliance with the covenants.

8. **Letters of credit:**

The Organization has available Letters of Credit in an aggregate amount of up to $330,000 relating to requirements of the City of Winnipeg for build site service costs and security for credit cards. As at December 31, 2015, $255,800 (December 31, 2014 - $115,600) of Letters of Credit were issued. $255,800 of the letters of credit bear interest at the financial institution's standard rate plus 1% (2014 – $65,400, standard rate plus 1%) and $nil of the letters of credit bear interest at the financial institution's standard floating rate (2014 - $50,200, standard floating rate). The letters of credit are automatically renewed for a period of 90 days from the expiry date unless the beneficiary notifies the financial institution in writing that it should not be extended.

9. Special events:

Special events are comprised of the following:

2015	Cycle of Hope	House Party	Ride Around the Lake	Muddy Waters	Total
Revenue	$ 264,940	$ 87,244	$ 240,245	$ 41,941	$ 634,370
Expenses	38,689	49,068	21,263	25,374	134,394
Net	$ 226,251	$ 38,176	$ 218,982	$ 16,567	$ 499,976

2014	Cycle of Hope	House Party	Ride Around the Lake	Muddy Waters	Total
Revenue	$ 202,244	$ 128,619	$ 234,500	$ 45,280	$ 610,643
Expenses	25,732	54,779	20,984	24,024	125,519
Net	$ 176,512	$ 73,840	$ 213,516	$ 21,256	$ 485,124

10. Cost of transferred residential properties

Included in cost of transferred residential properties are construction overhead costs allocated in the amount of $670,772 (2014 - $522,651) based on management's internal tracking of costs by department.

11. Endowment fund:

The Organization entered into an agreement with The Winnipeg Foundation for establishment of The Habitat for Humanity Winnipeg Endowment Fund. The Winnipeg Foundation will preserve the capital in its Consolidated Trust Fund and will distribute all income generated thereon to the Organization in perpetuity. The fair value of these funds as at December 31, 2015 is approximately $66,800 (2014- $65,700).

12. Employee benefits:

The Organization maintains a defined contribution pension plan for its employees. The expense for this plan is equal to the Organization's required contributions for the year. The total expense is $69,342 (2014 - $73,412) for the year.

13. Commitments:

The Organization has leased certain equipment and warehouse space under operating leases. The approximate future minimum lease payments under these leases are as follows:

2016	$187,000
2017	247,000
2018	241,000
2019	250,000
2020	247,000

14. Guarantee:

The Organization has provided a guarantee of the operating line of a subsidiary company in the amount of $50,000. The Organization has also provided a guarantee of a $450,000 revolving term loan with another subsidiary company and an assignment of mortgage receivables. As at December 31, 2015 $46,418 (2014 - $43,923) of the operating line and $nil (2014 - $100,000) of the term loan was outstanding in the subsidiary companies.

15. Financial risks and concentration of risk:

Management's risk management policies are typically performed as a part of the overall management of the Organization's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its operations, the Organization is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Organization, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

Liquidity risk-

Liquidity risk is the risk that the Organization cannot meet its financial obligations associated with financial liabilities in full. The Organization's main sources of liquidity are its operations and external borrowings. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Organization's financial obligations associated with financial liabilities.

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Organization has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Organization also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. No allowance for doubtful accounts has been recorded for accounts receivable. The Organization has secured mortgages receivable against the title of the homes transferred. Management is of the opinion that they are not exposed to significant credit risk in regards to mortgages receivable as the value of the homes exceed the value of the outstanding mortgage values.

15. Financial risks and concentration of risk (cont'd):

Interest Rate Risk-

Interest rate risk is the risk that the fair value known as interest rate price risk or future cash flows known as interest rate cash flow risk, of a financial instrument will fluctuate because of changes in market interest rates.

The Organization is exposed to interest rate price risk with respect to mortgages receivable held at fixed rates and for long term debt held at fixed rates.

The Organization is exposed to interest rate cash flow risk with respect to long term debt held at variable interest rates.

NON-CONSOLIDATED SCHEDULE OF HABITAT RESTORE OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
Expenses:		
Amortization	105,539	94,034
Automotive	38,791	36,579
Bank charges and interest	21,543	17,349
Building repairs and maintenance	25,833	43,447
Insurance	9,744	10,422
Lease costs	167,643	93,987
Licenses and permits	30	30
Office	33,298	42,919
Procurement costs	21,129	19,519
Property tax	30,569	34,104
Public relations, media and promotions	44,451	25,772
Salaries and benefits	695,569	554,572
Telephone	7,750	4,007
Travel and conference	3,129	842
Utilities	40,626	35,435
Volunteer recognition	1,467	534
Waste disposal	24,886	21,291
	$ 1,271,997	$ 1,034,843