

# Habitat For Humanity Muskoka

## Financial Statements

For the year ended December 31, 2010

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## Independent Auditor's Report

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### To the Members of Habitat For Humanity Muskoka

I have audited the accompanying financial statements of Habitat For Humanity Muskoka which comprise the statement of financial position as at December 31, 2010 and the statements of operations and 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 Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### ***Basis for qualified opinion***

In common with many charitable organizations, Habitat For Humanity Muskoka derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, assets and net assets.

#### ***Opinion***

In my opinion, except for the effect 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 Muskoka as at December 31, 2010, and its financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Dave Stevenson*  
Chartered Accountant

March 3, 2011  
Bracebridge, Ontario

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# Habitat For Humanity Muskoka

## Statement of Financial Position

<b>December 31</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 266,942	\$ 304,464
Accounts receivable	-	570
HST receivable	23,716	-
Current portion of mortgages receivable	22,440	19,030
Prepaid expenses	12,585	11,877
Properties under development	514,637	135,669
	<u>840,320</u>	<u>471,610</u>
<b>Mortgages receivable (Note 1)</b>	<b>460,176</b>	<b>442,599</b>
<b>Capital assets (Note 2)</b>	<b>21,980</b>	<b>15,710</b>
	<u>\$ 1,322,476</u>	<u>\$ 929,919</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 144,603	\$ 32,712
Mortgage payable (Note 3)	90,000	-
Deferred contributions	108,151	64,847
	<u>342,754</u>	<u>97,559</u>
<b>Commitments (Note 4)</b>		
<b>Net Assets</b>		
Net assets invested in capital assets and properties	929,233	613,008
Unrestricted	50,489	219,352
	<u>979,722</u>	<u>832,360</u>
	<u>\$ 1,322,476</u>	<u>\$ 929,919</u>

Approved on behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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# Habitat For Humanity Muskoka

## Statement of Operations and Changes in Net Assets

<b>For the year ended December 31</b>	<b>2010</b>	<b>2009</b>
<b>Revenues</b>		
Donations, grants and fundraising	\$ 80,109	\$ 78,608
Excess of revenues over expenses - ReStore (Schedule 1)	164,993	148,215
House sales	-	345,000
Present value adjustment on first mortgages (Note 1)		
Current year projects	-	(108,703)
Prior years' projects	58,547	19,536
	<b>303,649</b>	<b>482,656</b>
<b>Building costs</b>		
Current year projects	-	336,859
Additional costs on prior years' projects	292	10,639
	<b>292</b>	<b>347,498</b>
<b>Excess of revenues over expenses before administrative expenses</b>	<b>303,357</b>	<b>135,158</b>
<b>Administrative expenses</b>		
Fundraising	1,985	-
Insurance	1,228	1,480
Office and general	22,961	20,275
Professional fees	6,023	4,703
Public awareness	167	-
Salaries and benefits	114,621	59,052
Tithing	9,010	13,150
	<b>155,995</b>	<b>98,660</b>
<b>Excess of revenues over expenses for the year</b>	<b>147,362</b>	<b>36,498</b>
<b>Net assets - beginning of year</b>	<b>832,360</b>	<b>795,862</b>
<b>Net assets - end of year</b>	<b>\$ 979,722</b>	<b>\$ 832,360</b>
<b>Represented by</b>		
Net assets invested in capital assets and properties	\$ 929,233	\$ 613,008
Unrestricted net assets	50,489	219,352
	<b>\$ 979,722</b>	<b>\$ 832,360</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

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# Habitat For Humanity Muskoka

## Statement of Cash Flows

<b>For the year ended December 31</b>	<b>2010</b>	<b>2009</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses for the year	\$ 147,362	\$ 36,498
Adjustment for		
Amortization of capital assets	3,693	2,648
Present value adjustment on first mortgages	(58,547)	89,167
	<u>92,508</u>	<u>128,313</u>
Changes in non-cash working capital balances		
Accounts receivables	570	12,120
HST receivable	(23,716)	20,658
Prepaid expenses	(709)	(18)
Properties under development	(378,968)	195,827
Accounts payable and accrued liabilities	111,891	9,227
Deferred contributions	43,304	(257)
	<u>(155,120)</u>	<u>365,870</u>
<b>Investing activities</b>		
Increase in mortgages receivable resulting from house sales	-	(345,000)
Repayments on mortgages receivable	37,560	44,101
Purchase of capital assets	(9,962)	(9,014)
	<u>27,598</u>	<u>(309,913)</u>
<b>Financing activities</b>		
Increase in mortgage payable	<u>90,000</u>	-
<b>Change in cash during the year</b>	<b>(37,522)</b>	<b>55,957</b>
<b>Cash - beginning of year</b>	<b>304,464</b>	<b>248,507</b>
<b>Cash - end of year</b>	<b>\$ 266,942</b>	<b>\$ 304,464</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

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# Habitat For Humanity Muskoka

## Summary of Significant Accounting Policies

December 31, 2010

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<b>Nature of Business</b>	Habitat For Humanity Muskoka is an organization that was formed to assist in providing affordable housing the the Muskoka region. The organization was incorporated without share capital by letters patent issued under the Corporations Act of Ontario and is a registered charity and is, therefore, exempt from income taxes levied under the Income Tax Act.				
<b>Basis of Accounting</b>	The accrual basis of accounting is followed. The accrual basis of accounting recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent.				
<b>Use of Estimates</b>	The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the year in which they become known.				
<b>Properties Under Development</b>	Land development and building costs, including property taxes and interest, are capitalized on a project by project basis until the project is complete and the house is sold.				
<b>Capital Assets</b>	<p>Capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is as follows:</p> <table><tr><td>Office equipment</td><td>- 20% diminishing balance</td></tr><tr><td>Store equipment</td><td>- 20% diminishing balance</td></tr></table> <p>Leasehold improvements are recorded at cost and amortized on a straight line basis over the term of the premises lease.</p>	Office equipment	- 20% diminishing balance	Store equipment	- 20% diminishing balance
Office equipment	- 20% diminishing balance				
Store equipment	- 20% diminishing balance				

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# Habitat For Humanity Muskoka

## Summary of Significant Accounting Policies

December 31, 2010

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<b>Revenue Recognition</b>	<p>Contributions received for specific building projects are deferred and recognized as revenue upon completion of the project. Unrestricted contributions are recognized as revenue in the year received.</p> <p>House sales are recognized as revenue on the date the sale is closed.</p> <p>Sale of products at the ReStore are on a non-credit basis only. Revenues are recognized at the time payment is received.</p> <p>Interest income is recognized as revenue when earned.</p>
<b>Contributed Materials</b>	<p>Donations in kind received by the organization for the purpose of constructing homes and for sale in the ReStore are not recognized in the financial statements.</p>
<b>Contributed Services</b>	<p>A number of volunteers contribute a significant amount of time each year to the organization. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.</p>

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# Habitat For Humanity Muskoka

## Notes to the Financial Statements

December 31, 2010

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### 1. Mortgages Receivable

	<u>2010</u>	<u>2009</u>
First mortgages receivable at face values	\$ 728,662	\$ 766,267
Less present value adjustments on first mortgages	<u>246,046</u>	<u>304,638</u>
Present value of first mortgages receivable	482,616	461,629
Less current portion	<u>22,440</u>	<u>19,030</u>
	<u>\$ 460,176</u>	<u>\$ 442,599</u>

First mortgages receivable are repayable over a period of up to 30 years. The first mortgages are interest-free. Monthly repayments are reviewed annually and adjusted accordingly based on a means test.

The first mortgages receivable have been discounted for accounting presentation purposes at 4.5% (2009 - 4.83%) which is based on the estimated interest rate in effect at year-end on similar term, arms-length mortgages.

	<u>2010</u>	<u>2009</u>
Second mortgages receivable at face values	\$ 295,500	\$ 295,500
Less present value adjustments on second mortgages	<u>295,500</u>	<u>295,500</u>
Present value of second mortgages receivable	<u>\$ -</u>	<u>\$ -</u>

The second mortgages are also interest-free and the principal amounts are forgivable in the future provided certain conditions are met.

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# Habitat For Humanity Muskoka

## Notes to the Financial Statements

December 31, 2010

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### 2. Capital Assets

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 10,951	\$ 1,359	\$ 2,203	\$ 612
Office equipment	9,193	4,159	7,978	3,052
Store equipment	11,451	4,097	11,451	2,258
	<u>\$ 31,595</u>	<u>\$ 9,615</u>	<u>\$ 21,632</u>	<u>\$ 5,922</u>
Net book value		<u>\$ 21,980</u>		<u>\$ 15,710</u>

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### 3. Mortgage Payable

The mortgage payable arose from the purchase of three building lots in Gravenhurst, Ontario. The mortgage payable is secured by the land, bears interest at 5% per annum and is repayable in full on or before October 14, 2011.

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### 4. Commitments

The organization has leased its premises for a term of ten years ending March 31, 2018. The minimum lease payments are \$121,000 plus HST per annum during the first five years and \$137,500 plus HST per annum during the last five years.

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### 5. Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, HST receivable, mortgages receivable, accounts payable and mortgage payable. The carrying values of the mortgages receivable are adjusted annually as explained in Note 1. The carrying values of the organization's other financial instruments approximate their fair values due to their short-term nature.

It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from its financial instruments.

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# Habitat For Humanity Muskoka

## Notes to the Financial Statements

December 31, 2010

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### 6. Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the financial statement presentation adopted for the current year.

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## Habitat For Humanity Muskoka

### Schedule 1 - ReStore Operations

<b>For the year ended December 31</b>	<b>2010</b>	<b>2009</b>
<b>Revenues</b>		
Sales	\$ 619,721	\$ 512,516
Grants	-	700
Miscellaneous	610	1,411
	<b>620,331</b>	<b>514,627</b>
<b>Expenses</b>		
Advertising	10,390	11,067
Amortization of capital assets	3,693	2,648
Bank charges and credit card fees	4,087	3,989
Consulting	9,374	-
Habitat for Humanity Canada sales fee	21,487	18,998
Insurance	1,292	1,428
Office and general	11,027	9,802
Rent	124,794	124,025
Repairs and maintenance	8,676	6,264
Telephone	4,769	4,082
Transportation	16,379	18,740
Utilities	11,160	10,671
Wages and benefits	228,210	154,698
	<b>455,338</b>	<b>366,412</b>
<b>Excess of revenues over expenses for the year</b>	<b>\$ 164,993</b>	<b>\$ 148,215</b>