# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

Financial Statements
for the Year Ended December 31, 2021
and Independent Auditor's Report to the Directors

**DURWARD JONES BARKWELL & COMPANY LLP** Chartered Professional Accountants

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

FINANCIAL STATEMENTS
DECEMBER 31, 2021

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CHARTERED PROFESSIONAL ACCOUNTANTS

DURWARD JONES BARKWELL & COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

5045 South Service Road
Suite 300
Burlington, ON L7L 5Y7
T. 905.681.6900
TF. 866.407.5318
F. 905.681.6874

**INDEPENDENT AUDITOR'S REPORT**

**To the Directors of**
**Habitat for Humanity Halton/Mississauga:**

**Qualified Opinion**

We have audited the accompanying financial statements of Habitat for Humanity Halton/Mississauga (the Organization), which comprise the statement of financial position as at December 31, 2021 and the statements of operations, changes in net assets and cash flows for the year the ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2021, 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.

**Basis for Qualified Opinion**

In common with many not-for-profit organizations, the Organization derives revenue from certain activities, including donations and ReStore sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, expenses, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2021 and 2020, assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

**Responsibilities of Management and Those Charged With Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Durward Jones Barkwell + Company LLP

**Durward Jones Barkwell & Company LLP**
**Licensed Public Accountants**

**June 29, 2022**

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2021

| | 2021 Housing Fund | 2021 Operating Fund | 2021 Total | 2020 Total |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Amortization of deferred donations (Note 9) | $ 9,391 | $ 3,288 | $ 12,679 | $ 5,966 |
| Amortization of deferred grants (Note 10) | - | 1,579 | 1,579 | 2,196 |
| Donations - cash | 831,407 | 189,971 | 1,021,378 | 1,288,161 |
| Donations - in kind | 26,259 | - | 26,259 | 75,013 |
| Interest and other income | - | 3,111 | 3,111 | 12,733 |
| Rental | - | 306,280 | 306,280 | 92,971 |
| ReStore operations - Page 20 | - | 1,106,583 | 1,106,583 | 1,406,919 |
| | 867,057 | 1,610,812 | 2,477,869 | 2,883,959 |
| **EXPENSES** | | | | |
| Amortization | - | 218 | 218 | 2,079 |
| Bad debts | - | - | - | 3,612 |
| Bank charges and interest | - | 14,880 | 14,880 | 16,819 |
| Community awareness and education | - | 7,647 | 7,647 | 16,294 |
| Depreciation | 357,721 | 12,560 | 370,281 | 205,249 |
| Facilities | - | 54,731 | 54,731 | 54,221 |
| Family partnering program | 122,954 | 153,375 | 276,329 | 251,709 |
| Habitat for Humanity Canada affiliation fees | - | 25,000 | 25,000 | 37,500 |
| Handyman program | - | - | - | 100,109 |
| Insurance | - | 32,428 | 32,428 | 53,695 |
| Interest on obligation under capital leases | 5,963 | 225 | 6,189 | 7,352 |
| Office and miscellaneous | - | 28,802 | 28,802 | 15,634 |
| Personnel (program and administration) | - | 759,697 | 759,697 | 886,750 |
| Professional fees | - | 428,485 | 428,485 | 322,421 |
| Resource development | 63,732 | 422,678 | 486,410 | 510,374 |
| Sales tax not recovered | - | 97,746 | 97,746 | 79,656 |
| Tithe for international projects | 100,850 | 3,103 | 103,953 | 113,175 |
| Vehicle | 26,923 | - | 26,923 | 35,319 |
| Volunteer | - | 3,956 | 3,956 | 5,531 |
| | 678,143 | 2,045,531 | 2,723,675 | 2,717,499 |
| **EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE (EXPENSES)** | 188,914 | (434,719) | (245,806) | 166,460 |
| **OTHER REVENUE (EXPENSES)** | | | | |
| Adjustment of mortgages receivable discount | (155,323) | - | (155,323) | 25,851 |
| Canada Emergency Rent Subsidy (Note 18) | - | 183,985 | 183,985 | 35,813 |
| Canada Emergency Wage Subsidy (Note 18) | 72,757 | 392,455 | 465,213 | 478,994 |
| Excess of proceeds received over carrying value of properties | - | - | - | 304,123 |
| Loss on land deposit | - | - | - | (53,332) |
| Unrealized change in value of marketable securities | 3,505 | - | 3,505 | 388 |
| | (79,061) | 576,440 | 497,380 | 791,837 |
| **EXCESS OF REVENUE OVER EXPENSES** | $ 109,853 | $ 141,721 | $ 251,574 | $ 958,297 |

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | **Housing Fund** | **Operating Fund** | **Total** | Total |
| Balance, beginning of year | **$ 15,557,186** | **$ (711,311)** | **$ 14,845,875** | $ 13,887,578 |
| Excess of revenue over expenses | **109,853** | **141,721** | **251,574** | 958,297 |
| Balance, end of year | **$ 15,667,039** | **$ (569,590)** | **$ 15,097,449** | $ 14,845,875 |

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

| | 2021 Housing Fund | 2021 Operating Fund | 2021 Total | 2020 Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash | $ 523,254 | $ 793,085 | $ 1,316,339 | $ 2,206,254 |
| Marketable securities | 23,267 | - | 23,267 | 19,763 |
| Accounts receivable (Note 2) | 65,615 | 23,802 | 89,417 | 446,468 |
| Properties in progress and held for sale (Note 3) | 8,077,424 | - | 8,077,424 | 10,154,492 |
| Prepaid expenses and deposits | 58,205 | 252,083 | 310,288 | 142,128 |
| Current portion of mortgages receivable | 142,590 | - | 142,590 | 153,962 |
| | 8,890,355 | 1,068,970 | 9,959,325 | 13,123,067 |
| **Mortgages receivable** (Note 4) | 1,519,861 | - | 1,519,861 | 1,808,876 |
| **Capital assets** (Note 5) | 12,041,414 | 110,535 | 12,151,949 | 8,678,488 |
| **Intangible asset** (Note 6) | - | 1,046 | 1,046 | 1,264 |
| | $22,451,630 | $ 1,180,551 | $23,632,181 | $23,611,695 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Bank indebtedness (Note 7) | $ 678,496 | $ 1,185,549 | $ 1,864,045 | $ 4,888,391 |
| Accounts payable and accrued liabilities | 57,928 | 541,881 | 599,809 | 1,256,830 |
| Deferred contributions from partner families (Note 3) | 695,523 | - | 695,523 | 540,704 |
| Current portion of deferred development charges | 26,108 | - | 26,108 | 26,108 |
| Current portion of deferred donations | 15,965 | 2,184 | 18,149 | 2,877 |
| Current portion of deferred grants | - | 1,140 | 1,140 | 1,748 |
| Current portion of obligation under capital leases | 19,730 | 1,659 | 21,389 | 23,579 |
| Current portion of mortgages payable | 98,661 | - | 98,661 | 44,895 |
| | 1,592,411 | 1,732,413 | 3,324,824 | 6,785,132 |
| **Deferred development charges** (Note 8) | 130,539 | - | 130,539 | 182,754 |
| **Deferred donations** (Note 9) | 37,250 | 4,813 | 42,063 | 7,408 |
| **Deferred grants** (Note 10) | - | 12,915 | 12,915 | 13,886 |
| **Obligation under capital leases** (Note 11) | 38,760 | - | 38,760 | 62,188 |
| **Mortgages payable** (Note 12) | 4,985,631 | - | 4,985,631 | 1,714,452 |
| **Contingencies** (Note 13) **and Commitments** (Note 14) | | | | |
| | 6,784,591 | 1,750,141 | 8,534,732 | 8,765,820 |
| **NET ASSETS** | | | | |
| **Housing fund** | 15,667,039 | - | 15,667,039 | 15,557,186 |
| **Operating fund** | - | (569,590) | (569,590) | (711,311) |
| | 15,667,039 | (569,590) | 15,097,449 | 14,845,875 |
| | $22,451,630 | $ 1,180,551 | $23,632,181 | $23,611,695 |

Approved by the Board:

................................................................... Director ................................................................... Director

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

| | 2021 Housing Fund | 2021 Operating Fund | 2021 Total | 2020 Total |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Excess of revenue over expenses | **$ 109,853** | **$ 141,721** | **$ 251,574** | $ 958,297 |
| Items not affecting cash | | | | |
| Amortization of deferred donations | **(9,391)** | **(3,288)** | **(12,679)** | (5,966) |
| Amortization of deferred grants | **-** | **(1,579)** | **(1,579)** | (2,196) |
| Donations - in kind | **(26,259)** | **-** | **(26,259)** | (75,013) |
| Amortization | **-** | **218** | **218** | 2,079 |
| Depreciation | **357,721** | **43,845** | **401,566** | 227,385 |
| Expenses - in kind | **26,259** | **-** | **26,259** | 75,013 |
| Adjustment of mortgages receivable discount | **155,323** | **-** | **155,323** | (25,851) |
| Excess of proceeds received over carrying value of properties | **-** | **-** | **-** | (304,123) |
| Unrealized change in value of marketable securities | **(3,505)** | - | **(3,505)** | (388) |
| | **610,001** | **180,917** | **790,918** | 849,237 |
| Changes in non-cash operating assets and liabilities | | | | |
| Accounts receivable | **202,631** | **154,420** | **357,051** | (236,324) |
| Prepaid expenses and deposits | **(15,108)** | **(153,052)** | **(168,160)** | 11,054 |
| Accounts payable and accrued liabilities | **(414,836)** | **(242,185)** | **(657,021)** | 276,255 |
| Deferred contributions from partner families | **154,819** | - | **154,819** | 143,446 |
| | **537,507** | **(59,900)** | **477,607** | 1,043,668 |
| **INVESTING ACTIVITIES** | | | | |
| Properties in progress and held for sale | **(1,173,683)** | - | **(1,173,683)** | (1,861,296) |
| Proceeds on sale of properties | **-** | - | **-** | 594,669 |
| Repayments of mortgages receivable | **145,064** | - | **145,064** | 157,573 |
| Purchase of capital assets | **(606,156)** | **(18,120)** | **(624,276)** | (5,385) |
| | **(1,634,775)** | **(18,120)** | **(1,652,895)** | (1,114,439) |
| **FINANCING ACTIVITIES** | | | | |
| Advance of deferred donations | **62,606** | **-** | **62,606** | - |
| Repayment of deferred development charges | **(52,214)** | - | **(52,214)** | (26,108) |
| Repayments of obligation under capital leases | **(19,856)** | **(5,762)** | **(25,618)** | (22,069) |
| Advance of mortgages payable | **3,416,482** | - | **3,416,482** | - |
| Repayments of mortgages payable | **(91,537)** | - | **(91,537)** | (22,742) |
| | **3,315,481** | **(5,762)** | **3,309,719** | (70,919) |
| **INCREASE (DECREASE) IN CASH** | **2,218,213** | **(83,782)** | **2,134,431** | (141,690) |
| **BANK INDEBTEDNESS, BEGINNING OF YEAR** | **(2,373,455)** | **(308,682)** | **(2,682,137)** | (2,540,447) |
| **BANK INDEBTEDNESS, END OF YEAR** | **$ (155,242)** | **$ (392,464)** | **$ (547,706)** | $ (2,682,137) |

**BANK INDEBTEDNESS IS REPRESENTED BY:**

Cash
**$ 523,254**
**$ 793,085**
**$ 1,316,339**
$ 2,206,254
Bank indebtedness
**(678,496)**

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

| |
|---|
| **(1,185,549)** |
| **(1,864,045)** |
| (4,888,391) |
| **$ (155,242)** |
| **$ (392,464)** |
| **$ (547,706)** |
| $(2,682,137) |

Supplemental information is provided in Note 15.

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

## 1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

***Basis of accounting***
These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

***Purpose of the organization***
The Organization was incorporated as a corporation without share capital and is subject to the provisions of the Charities Accounting Act. The Organization qualifies for tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act.

The primary objective of the Organization is to work within the Region of Halton, City of Mississauga and County of Dufferin in advancing the interests of the economically disadvantaged by constructing homes and providing safe and affordable housing solutions to qualified families.

***Fund accounting***
The Organization follows the restricted fund method of accounting for contributions. Under this method, restricted contributions are recorded as revenue in the appropriate Restricted Fund in the year received or receivable. Unrestricted contributions are recognized as revenue of the Operating Fund when the contribution is received or receivable.

For financial reporting purposes, the accounts have been classified in the following funds:

The Housing Fund reports the revenue, expenses, assets and liabilities related to the housing activities of the Organization.

The Operating Fund reports the revenue, expenses, assets and liabilities, of all non-housing activities of the Organization, including administration, resource development, ReStore operations and all other general activities.

***Revenue recognition***
Contributions are considered unrestricted unless a donor specifies otherwise. The Organization ensures that all contributions received with a restricted purpose are used for that purpose. Restricted contributions for housing activities are recorded in the Housing Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured. Unrestricted contributions, such as general donations, fundraising and ReStore sales, are recorded in the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Rental, interest and other income is recorded on the accrual basis as earned and when collection is reasonably assured.

***Donated materials and services***
The Organization receives donations of materials and services. Materials which would otherwise be paid for by the Organization are recorded at fair value when reasonably determinable. Donated ReStore items are not recorded as inventory in these financial statements, however, the revenue generated by donated ReStore items is recognized at the selling price at the time of sale. The value of services provided by the Organization's many volunteers are not reflected in these financial statements.

***Government assistance***
Government assistance is accounted for using the cost reduction method whereby the credits relating to current expenditures are deducted from the related expenditure and those relating to capital expenditures are applied to reduce the cost of the asset acquired.

***Properties in progress and held for sale***
Properties in progress and held for sale, including land, buildings, and building materials, both purchased and donated, are recorded at the lower of cost and net realizable value. Interest costs during the development and construction periods are capitalized as incurred.

***Capital assets***
Capital assets are recorded at cost. Depreciation is calculated using the declining balance method over their estimated useful lives at the rates indicated in Note 5. Leasehold improvements are depreciated on a straight-line basis over five years. In the year of acquisition, net additions are depreciated at one-half the normal rate.

**Leased equipment**
Long-term leases in which the Organization acquires substantially all the benefits and risks incident to ownership are accounted for as additions to equipment or leasehold improvements under capital lease. The asset value and related obligation are recorded at the present value of the future minimum lease payments using an appropriate discount rate. The assets are depreciated using the declining-balance method over the useful lives of the assets at the rates indicated in Note 5. In the year of acquisition, depreciation is recorded at one half the normal rate.

***Long-lived assets***
Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

***Intangible asset***
Intangible asset is stated at cost and amortized on a straight-line basis at the rate indicated in Note 6.

***Use of estimates***
The preparation of financial statements in accordance 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 at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as revenue recognition, allowances for accounts receivable, collectibility of first, second and third mortgages receivable, amortization of mortgages receivable, determination of property write-down, determination of useful lives of capital assets, impairment of capital assets, accrued liabilities and contingent liabilities.

***Financial instruments***

**(a) Measurement of financial instruments**

**Initial measurement**
The Organization initially measures its financial assets and liabilities originated or exchanged in arm’s length transactions at fair value.

**Subsequent measurement**
The Organization subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the period incurred.

The carrying values of mortgages receivable amount to the net present value of future anticipated cash flows calculated using the effective interest method. The net present value, or amortized cost, has been calculated using a discount rate equal to 3% (2020 - 2%). As the Organization is not seeking a rate of return on its investment in mortgages receivable, the only concern is the impact of inflation on its future cash receipts from repayment of the mortgages receivable and therefore, 3% is considered to be an appropriate discount rate.

Financial assets measured at amortized cost include cash, accounts receivable and mortgages receivable.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities and mortgages payable.

Financial assets measured at fair value include marketable securities.

**(b) Impairment**

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there are, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

## 2. ACCOUNTS RECEIVABLE

| | **2021** | | | 2020 |
|---|---|---|---|---|
| | **Housing Fund** | **Operating Fund** | **Total** | Total |
| Accounts receivable | **$ 1,455** | **$ -** | **$ 1,455** | $ 212,409 |
| Sales tax recoverable | **64,160** | **23,802** | **87,962** | 234,059 |
| | **$ 65,615** | **$ 23,802** | **$ 89,417** | $ 446,468 |

## 3. PROPERTIES IN PROGRESS AND HELD FOR SALE

As at December 31, 2021, four properties were held; three properties were completed and pending ownership transfer on a rent-to-own basis, and one other property was in progress. One of the properties pending ownership on a rent-to-own basis was received in 2014 as part of a contribution agreement between the Government of Canada and Habitat for Humanity Halton/Mississauga, and as part of the agreement, the Organization cannot transfer title of the property to the partner family until 2028.

Beginning in 2017, the Organization adopted a rent-to-own policy. Under this policy, the Organization enters into residential lease with option to purchase agreements with partner families as tenants. The partner families obtain ownership of their home once the total payments made amount to the fair market value of the home at the beginning of the lease. If the tenant chooses to vacate before they obtain ownership, the Organization is required to repay all payments received from the tenant from the beginning of the lease.

The Organization's policy is to defer payments received from tenants on a rent-to-own basis and recognize the revenue in the same period that ownership of the unit is transferred. At December 31, 2021, total payments received under the rent-to-own agreements, presented as deferred contributions from partner families, amounted to $695,523 (2020 - $540,704).

During the year, one property was transferred to capital assets upon completion as it is being used as a rental property. The property is not held for sale under the rent-to-own policy.

During the year, interest capitalized to properties in progress amounted to $131,173 (2020 - $203,522).

## 4. MORTGAGES RECEIVABLE

| | 2021 | 2020 |
|---|---|---|
| Non-interest bearing first mortgages receivable, secured by various properties, repayable in monthly instalments and maturing on various dates between January 2039 and November 2051. | **$ 2,125,580** | $ 2,270,644 |
| Less: unamortized discount (Note 1) | **(493,609)** | (380,868) |
| | **1,631,971** | 1,889,776 |
| Non-interest bearing second mortgage receivable, secured by a specific property, repayable when the home changes title or ninety-nine years from registration | **45,160** | 45,160 |
| Less: unamortized discount (Note 1) | **(42,257)** | (38,088) |
| | **2,903** | 7,072 |
| Non-interest bearing third mortgages receivable, secured by various properties, repayable when the home changes title or ninety-nine years from registration | **407,466** | 407,466 |
| Less: unamortized discount (Note 1) | **(379,889)** | (341,476) |
| | **27,577** | 65,990 |
| | **1,662,451** | 1,962,838 |
| Less: current portion | **(142,590)** | (153,962) |
| Long-term portion | **$ 1,519,861** | $ 1,808,876 |

Beginning in 2016, the Organization adopted a new mortgage policy. Under the new policy, at the time a house is sold, the new homeowner receives a first mortgage based on the fair market value of the home. Included in each sale agreement is a clause which allows the Organization the right of first refusal to repurchase the home should the partner family decide to sell the home. The repurchase price is based only on the equity already invested by the total monthly mortgage payments received from the partner family up to the date of sale back to the Organization. There is no appreciation value or additional equity offered.

In years prior to 2016, at the time a house was sold, the new homeowner provided a first mortgage that was determined based on the fair market value of the home and the ability of the homeowner to pay. The difference between the appraised value and the amount of the first mortgage was the amount assigned to any additional Habitat mortgages given by the homeowner.

Some previous Habitat second mortgages are forgivable after an extended period of time. Other than these previous Habitat second mortgages and the COAHP/IAH mortgages noted below, any second or subsequent mortgage provided by the homeowner to Habitat is repayable at the time title to the property is transferred or in 99 years from registration. All forgivable mortgages are not shown on the statement of financial position given that it is more likely than not that the mortgage will be forgiven.

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Beginning in 2011, Habitat has been successful in obtaining interest-free loans of $50,000 for Habitat homeowners through the Canada-Ontario Affordable Housing Program/Investment in Affordable Housing (COAHP/IAH) program. Loans granted in 2011 were positioned as third mortgages. Any new loans will be positioned as second mortgages, with any additional Habitat mortgage positioned as a third mortgage, if necessary. The COAHP/IAH mortgages are forgivable after 20 years.

All mortgages provided to Habitat are interest free.

The total amount of forgivable second mortgages receivable not included in the financial statements are:

| | **2021** | 2020 |
|---|---|---|
| Second mortgages | **$ 405,940** | $ 405,940 |

## 5. CAPITAL ASSETS

| | | **2021** | | 2020 | |
|---|---|---|---|---|---|
| | Annual Depreciation Rates | **Cost** | **Accumulated Depreciation** | Cost | Accumulated Depreciation |
| **Operating Fund** | | | | | |
| Office equipment | 20%-30% | **$ 213,959** | **$ 171,198** | $ 213,959 | $ 161,226 |
| Office equipment - donated | 20% | **95,354** | **85,677** | 95,354 | 82,740 |
| Equipment under capital lease | 20% | **40,156** | **28,676** | 40,156 | 25,806 |
| Computer equipment | 30% | **162,871** | **140,747** | 161,421 | 131,491 |
| Computer equipment - donated | 30% | **1,050** | **998** | 1,050 | 976 |
| Computer software | 30% | **23,482** | **23,377** | 23,482 | 23,332 |
| Computer software - donated | 30% | **10,980** | **10,211** | 10,980 | 9,882 |
| Vehicles | 30% | **59,922** | **57,867** | 59,922 | 56,986 |
| Leasehold improvements | 5 Yr S.L. | **220,770** | **199,258** | 205,691 | 183,316 |
| Leasehold improvements - donated | 5 Yr S.L. | **58,958** | **58,958** | 58,958 | 58,958 |
| | | **887,502** | **776,967** | 870,973 | 734,713 |
| Net book value - operating fund | | | **$ 110,535** | | $ 136,260 |
| **Housing Fund** | | | | | |
| 2384 Queensway - land | | **$ 1,569,411** | **$ -** | $ 1,569,411 | $ - |
| 3075 Merritt Ave - land | | **627,000** | **-** | - | - |
| 92 Mill Street - land | | **232,627** | **-** | 232,627 | - |
| 2384 Queensway - building | 4% | **6,823,934** | **382,562** | 6,277,645 | 125,553 |
| 3075 Merritt Ave - building | 4% | **2,623,751** | **52,475** | - | - |
| 92 Mill Street - building | 4% | **535,251** | **71,167** | 535,251 | 51,830 |
| Equipment under capital lease | 20% | **99,000** | **41,976** | 99,000 | 27,720 |
| Office equipment | 20% | **52,179** | **39,830** | 52,179 | 37,432 |
| Vehicles | 30% | **163,679** | **97,408** | 101,072 | 82,422 |
| | | **12,726,832** | **685,418** | 8,867,185 | 324,957 |
| Net book value - housing fund | | | **$12,041,414** | | $ 8,542,228 |

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

## 6. INTANGIBLE ASSET

| | Annual Amortization Rates | **2021** Cost | **2021** Accumulated Amortization | 2020 Cost | 2020 Accumulated Amortization |
|---|---|---|---|---|---|
| Website | 5 Yr S.L. | **$ 46,253** | **$ 45,207** | $ 46,253 | $ 44,989 |
| Net book value | | | **$ 1,046** | | $ 1,264 |

## 7. BANK INDEBTEDNESS

The Organization has access to credit facilities from a financial institution consisting of one revolving floating-rate demand loan with a credit limit of $1,750,000 and bearing interest at prime plus 1%, one non-revolving floating-rate demand loan with a credit limit of $1,500,000 and bearing interest at prime plus 1%, one non-revolving term loan equal to $800,000 and bearing interest at prime plus 1%, and two non-revolving fixed-rate term loans which are described in Note 12.

The revolving floating-rate demand loan / line of credit is secured by an assignment of mortgages receivable made by the Organization, and specific assignment of the Organization's primary bank account where all mortgage receivable payments are deposited. As at December 31, 2021, the line of credit balance outstanding amounted to $385,549 (2020 - $1,483,187).

The non-revolving term loan / land mortgage is repayable on demand and due within twelve months of the advance date. The loan is secured by continuing collateral first ranking mortgage in the amount of $9,300,000 over specific property, continuing ranking first general assignment of rents in respect of the property, postponement agreement with subsequent mortgages, title insurance, and environmental indemnity agreement with respect to specific property. As at December 31, 2021, the land mortgage balance outstanding amounted to $800,000 (2020 - $800,000).

In addition to the specific security described above, all credit facilities are secured by a general security agreement creating a first fixed and floating charge over all present and after acquired personal property. first mortgage and assignment of rents in the amount of $9,300,000 made by the Organization over all legal and beneficial interest in a specific property, and an environmental indemnity agreement with respect to specific property.

The credit facilities agreement requires maintaining of financial covenants including: overall debt service coverage ratio of a minimum of 1.50, leverage ratio not exceeding 2:1, and a debt service coverage ratio on the Plains Road property of a minimum of 1.0. As at December 31, 2021, the Organization is in compliance with its bank covenants.

## 8. DEFERRED DEVELOPMENT CHARGES

As part of a government funding program agreement, the Organization is liable to The Regional Municipality of Halton for development charges on a particular property in the amount of $261,078. The amount owing is payable without interest over a term of 10 years, in equal annual payments of $26,108.

As at December 31, 2021, deferred development charges remaining payable amounted to $156,647, with $26,108 payable prior to January 1, 2023, and the remaining balance of $130,539 payable thereafter.

## 9. DEFERRED DONATIONS

Deferred donations pertain to specific restricted donations related to contributed capital assets. The restricted deferred donations related to capital assets are amortized into revenue on the same basis as the related capital assets contributed are depreciated at the rates indicated in Note 5. The changes in the deferred donations balance is as follows:

| **Operating Fund** | **2021** | 2020 |
|---|---|---|
| Balance, beginning of year | **$ 10,285** | $ 16,251 |
| Less: amount amortized and included in revenue in the year | **(3,288)** | (5,966) |
| Balance, end of year | **6,997** | 10,285 |
| Less: current portion | **(2,184)** | (2,877) |
| Long-term portion | **$ 4,813** | $ 7,408 |

| **Housing Fund** | **2021** | 2020 |
|---|---|---|
| Balance, beginning of year | **$ -** | $ - |
| Add: additions | **62,606** | - |
| Less: amount amortized and included in revenue in the year | **(9,391)** | - |
| Balance, end of year | **53,215** | - |
| Less: current portion | **(15,965)** | - |
| Long-term portion | **$ 37,250** | $ - |

As at December 31, 2021, deferred grants related to capital assets amounted to $60,212 (2020 - $10,285).

## 10. DEFERRED GRANTS

Deferred grants pertain to grants received and restricted for the purchase of a vehicle, to assist with leasehold improvements and certain other capital assets. The grant amounts are amortized into revenue on the same basis as the related capital assets purchased are depreciated at the rates indicated in Note 5. Deferred grants related to expenses will be recognized in revenue when the expenses occur. The changes in the deferred grant revenue balance is as follows:

| | **2021** | 2020 |
|---|---|---|
| Balance, beginning of year | **$ 15,634** | $ 17,830 |
| Less: amount amortized and included in revenue in the year | **(1,579)** | (2,196) |
| Balance, end of year | **14,055** | 15,634 |
| Less: current portion | **(1,140)** | (1,748) |
| Long-term portion | **$ 12,915** | $ 13,886 |

As at December 31, 2021, deferred grants related to capital assets amounted to $14,055 (2020 - $15,634).

### 11. OBLIGATION UNDER CAPITAL LEASES

The following is a schedule of minimum lease payments under the capital lease relating to the operating fund expiring in May 2022, together with the balance of the obligation:

| | | |
|---|---|---|
| Year ending December 31, | 2022 | $ 1,683 |
| Less amount representing interest at 4.2% | | (24) |
| | | 1,659 |
| Less current portion | | (1,659) |
| | | $ - |

The following is a schedule of minimum lease payments under the capital lease relating to the housing fund expiring in November 2024, together with the balance of the obligation:

| | | |
|---|---|---|
| Year ending December 31, | 2022 | $ 23,833 |
| | 2023 | 23,833 |
| | 2024 | 21,847 |
| Total minimum lease payments | | 69,513 |
| Less amount representing interest at 7.845% | | (11,023) |
| | | 58,490 |
| Less current portion | | (19,730) |
| | | $ 38,760 |

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

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## 12. MORTGAGES PAYABLE

| | 2021 | 2020 |
|---|---|---|
| Mortgage payable - interest at 4.6%, payable in monthly instalments of $10,343 including principal and interest, maturing March 2023 | **$ 1,714,452** | $ 1,759,347 |
| Mortgage payable - interest at 2.5%, payable in monthly instalments of $11,243 including principal and interest, maturing January 2026 | **3,369,840** | - |
| Balance, end of year | **5,084,292** | 1,759,347 |
| Less: current portion | **(98,661)** | (44,895) |
| Long-term portion | **$ 4,985,631** | $ 1,714,452 |

The mortgage payable of $1,714,452 is secured by a $1,850,000 business promissory note made by the Organization, first mortgage and assignment of rents in the amount of $9,300,000 made by the Organization over all legal and beneficial interest in a specific property, title and property insurance and specific assignment of the Organization's primary bank account where all rents are collected from a specific property.

The mortgage payable of $3,369,840 is secured by a general security agreement securing all inventory, equipment, vehicles, book debts and other amounts of any nature or kind arising from the Queensway Lands.

Principal repayments required until maturity are as follows:

| | |
|---|---|
| 2022 | $ 98,661 |
| 2023 | 1,720,484 |
| 2024 | 54,325 |
| 2025 | 55,699 |
| 2026 | 3,155,123 |
| | $ 5,084,292 |

## 13. CONTINGENCIES

The Organization is contingently liable for mortgage receivable payments received from homeowners under the new first mortgage policy adopted in 2016, since the payments are refundable if the homeowner decides to sell the home and the Organization exercises its right of first refusal to repurchase the home for the initial sale price. As at December 31, 2021, total mortgage payments received under this agreement amounted to $49,092 (2020 - $41,224).

## 14. COMMITMENTS

The Organization has entered into lease agreements for its facilities. These leases expire between March 2022 and April 2026 and require the following annual payments:

| | |
|---|---|
| 2022 | $ 775,918 |
| 2023 | 609,643 |
| 2024 | 484,236 |
| 2025 | 498,219 |
| 2026 | 129,851 |
| | $ 2,497,867 |

## 15. SUPPLEMENTAL INFORMATION TO STATEMENT OF CASH FLOWS

During the year, land and building in the amount of $3,250,751 was transferred from properties in progress and held for sale to capital assets.

## 16. FINANCIAL RISK MANAGEMENT

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Interest rate risk:
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk since changes in interest rates may impact the Organization's future borrowing costs. As at December 31, 2021, total debt subject to floating interest rates amounted to $1,185,549, as described in Note 7. The Organization does not use any derivative instrument to reduce its exposure to interest rate risk.

(b) Market risk:
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Organization's market risk relates to its investment in marketable securities as these investments are subject to price changes in an open market. The Organization does not use derivative financial instruments to alter the effects of this risk due to the insignificant amount invested in marketable securities.

(c) Credit risk:
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risks relate to its accounts receivable and mortgages receivable. The Organization is not exposed to significant credit risk as it only invests in highly rated investments, monitors credit to its clients in the normal course of operations and mortgages receivable are secured by the property for which the mortgage is held.

(d) Other risks:
It is management's opinion that the Organization is not exposed to significant currency or liquidity risks arising from its financial instruments.

## 17. IMPACT OF COVID-19 PANDEMIC

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The Organization has determined that adjustments to the financial statements are not required as a result of these events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2021 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.

## 18. COVID RELATED GOVERNMENT RELIEF PROGRAMS

***Canada Emergency Wage Subsidy***
For the current year, the Organization met the criteria to qualify and applied for $465,213 (2020 - $478,994) under the Canada Emergency Wage Subsidy ("CEWS") as a result of their decline in revenue attributed to the COVID-19 pandemic. Entities must satisfy certain eligibility criteria, including among others a significant decline in revenue as compared to earlier periods.

***Canada Emergency Rent Subsidy***
The Canada Emergency Rent Subsidy (“CERS”) subsidizes commercial real estate expenses incurred by businesses negatively affected by COVID-19. It is intended to support businesses, charities, and non-profits that have suffered a revenue drop by subsidizing a percentage of their expenses, on a sliding scale, up to a maximum of 65% of eligible expenses until December 19, 2020. Businesses subject to a public health restriction are entitled to a “top-up” of 25% of qualifying rent expenses throughout any qualifying period in which such restrictions are in place. Organizations would be able to make claims retroactively for the period that began September 27, 2020.

For the current year, the Organization met the criteria to qualify and applied for $183,985 (2020 - $35,813) under the CERS program.

## 19. SUBSEQUENT EVENTS

On February 7, 2022, the Organization purchased a condominium unit at 4065 Confederation Parkway for approximately $275,000 plus HST.

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

SCHEDULE OF RESTORE OPERATIONS

YEARS ENDED DECEMBER 31, 2021

| | 2021 | 2020 |
|---|---|---|
| **REVENUE** | **$ 5,231,657** | $ 4,094,530 |
| **EXPENSES** | | |
| Advertising and promotion | **3,526** | 1,363 |
| Bank charges and interest | **111,148** | 100,960 |
| Depreciation | **31,285** | 20,266 |
| Facilities | **1,348,560** | 833,600 |
| Habitat for Humanity Canada affiliation fees | **196,268** | 161,237 |
| Insurance | **13,884** | 8,662 |
| Personnel | **2,071,130** | 1,299,103 |
| Salvage | **28,482** | 11,253 |
| Storage | **25,590** | 29,635 |
| Supplies | **56,212** | 58,665 |
| Vehicle | **231,535** | 158,004 |
| Volunteer | **7,454** | 4,863 |
| | **4,125,074** | 2,687,611 |
| **EXCESS OF REVENUE OVER EXPENSES** | **$ 1,106,583** | $ 1,406,919 |