Grant Thornton

Financial Statements

Habitat for Humanity Niagara

December 31, 2020

Contents

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
80 King Street
Suite 200
St. Catharines, ON
L2R 7G1

T +1 905 682 8363
F +1 905 682 2191
www.GrantThornton.ca

To the Members of
Habitat for Humanity Niagara

Qualified opinion

We have audited the financial statements of Habitat for Humanity Niagara (the "Organization"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter decribed in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and its financial performance 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 fundraising activities 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 Restore sales and donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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

Independent Auditor's Report (continued)

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.

Grant Thornton LLP

St. Catharines, Canada
April 14, 2021

Chartered Professional Accountants
Licensed Public Accountants

Habitat for Humanity Niagara
Statement of Financial Position

December 31 **2020** 2019

	Housing Fund	Operating Fund	**Total**	Total
Assets				
Current				
Cash and cash equivalents	$ 1,171,762	$ 160,449	**$ 1,332,211**	$ 276,605
Accounts receivable	36,533	185,097	**221,630**	105,803
Sales taxes recoverable	3,915	21,553	**25,468**	17,677
Prepaid expenses	23,900	41,134	**65,034**	37,141
Properties held for home development (Note 3)	1,981,410	-	**1,981,410**	658,687
Current portion of mortgages receivable (Note 4)	221,374	-	**221,374**	236,278
	3,438,894	408,233	**3,847,127**	1,332,191
Long-term				
Mortgages receivable (Note 4)	3,735,344	-	**3,735,344**	3,911,230
Property and equipment (Note 5)	-	418,014	**418,014**	452,111
	$ 7,174,238	$ 826,247	**$ 8,000,485**	$ 5,695,532
Liabilities				
Current				
Bank indebtedness (Note 6)	$ 1,256,000	$ -	**$ 1,256,000**	$ 453,500
Accounts payable and accrued charges	37,490	237,133	**274,623**	201,957
Sales taxes payable	-	-	**-**	46,936
Deferred revenue	108,068	-	**108,068**	4,437
Interfund (receivable) payable	(686,247)	686,247	**-**	-
Current portion of bank loan (Note 7)	48,324	-	**48,324**	48,324
Current portion of long-term debt (Note 8)	-	15,973	**15,973**	123,246
	763,635	939,353	**1,702,988**	878,400
Bank loan due on demand (Note 7)	694,839	-	**694,839**	731,082
	1,458,474	939,353	**2,397,827**	1,609,482
Long-term				
Long-term debt (Note 8)	-	63,944	**63,944**	46,689
	1,458,474	1,003,297	**2,461,771**	1,656,171
Net assets				
Housing fund - Internally restricted	5,715,764	-	**5,715,764**	4,553,756
Invested in property and equipment	-	368,097	**368,097**	390,510
Unrestricted	-	(545,147)	**(545,147)**	(904,905)
	5,715,764	(177,050)	**5,538,714**	4,039,361
	$ 7,174,238	$ 826,247	**$ 8,000,485**	$ 5,695,532

Commitments (Note 9)
Contingent liability (Note 10)

On behalf of the board

______________________________ Director ______________________________ Director

Habitat for Humanity Niagara
Statement of Operations

Year ended December 31 **2020** 2019

	Housing Fund	Operating Fund	**Total**	Total
Revenues				
Home sales	$ -	$ -	**$ -**	$ 1,817,450
Cost of sales	-	-	**-**	(1,222,116)
Write-down of mortgages receivable to amortized cost (Note 4)	-	-	**-**	(829,059)
Net contribution (loss)	-	-	**-**	(233,725)
Donations	174,334	-	**174,334**	297,857
Donations in-kind	36,180	-	**36,180**	255,881
Grants and other revenue	679,653	192,601	**872,254**	689,278
Government assistance (Note 14)	-	340,044	**340,044**	-
Restore revenue	-	2,198,756	**2,198,756**	2,468,156
	890,167	2,731,401	**3,621,568**	3,477,447
Expenses				
Advertising and promotion	-	52,614	**52,614**	58,008
Bank charges and interest	69,719	35,726	**105,445**	104,688
Computer maintenance and support	-	51,741	**51,741**	32,006
Conferences, meetings and training	-	15,346	**15,346**	34,863
HFHC fees and tithe (Note 11)	20,000	238,143	**258,143**	272,603
Occupancy costs	-	399,360	**399,360**	522,457
Office and insurance	7,461	44,162	**51,623**	51,335
Professional fees	3,004	44,681	**47,685**	39,519
Property costs	1,567	-	**1,567**	14,598
Salaries and benefits (Note 12)	111,817	1,310,976	**1,422,793**	1,455,955
Supplies and equipment	-	23,375	**23,375**	28,098
Telephone and communications	-	27,623	**27,623**	25,254
Vehicle expenses	-	49,293	**49,293**	52,350
Waste disposal	-	13,543	**13,543**	13,829
	213,568	2,306,583	**2,520,151**	2,705,563
Excess of revenues over expenses before other income (expense)	676,599	424,818	**1,101,417**	771,884
Other income (expense)				
Amortization	-	(87,473)	**(87,473)**	(125,789)
Interest income on mortgages receivable and mortgage realization (Note 4)	485,409	-	**485,409**	364,629
	485,409	(87,473)	**397,936**	238,840
Excess of revenues over expenses	$ 1,162,008	$ 337,345	**$ 1,499,353**	$ 1,010,724

Habitat for Humanity Niagara
Statement of Changes in Net Assets

Year ended December 31, 2020

	Housing Fund	Operating Fund: Invested in Property and Equipment	Operating Fund: Unrestricted	Total
Balance (deficit), beginning of year	**$ 4,553,756**	**$ 390,510**	**$ (904,905)**	**$ 4,039,361**
Excess (deficiency) of revenues over expenses	**1,162,008**	**(87,473)**	**424,818**	**1,499,353**
Investment in fixed assets	**-**	**53,376**	**(53,376)**	**-**
Repayment of long-term debt	**-**	**11,684**	**(11,684)**	**-**
Balance (deficit), end of year	**$ 5,715,764**	**$ 368,097**	**$ (545,147)**	**$ 5,538,714**

Year ended December 31, 2019

	Housing Fund	Operating Fund: Invested in Property and Equipment	Operating Fund: Unrestricted	Total
Balance (deficit), beginning of year	3,572,552	497,952	(1,041,867)	3,028,637
Excess (deficiency) of revenues over expenses	981,204	(125,789)	155,309	1,010,724
Investment in fixed assets	-	4,422	(4,422)	-
Repayment of long-term debt	-	13,925	(13,925)	-
Balance (deficit), end of year	$ 4,553,756	$ 390,510	$ (904,905)	$ 4,039,361

Habitat for Humanity Niagara
Statement of Cash Flows

Year ended December 31	2020	2019
Increase in cash and cash equivalents		
Operating		
Excess of revenues over expenses	**$ 1,499,353**	$ 1,010,724
Items not affecting cash		
Amortization	**87,473**	125,789
Gifts in kind	**(36,180)**	(255,881)
Write-down of mortgages receivable to amortized cost	**-**	829,059
Interest income on mortgages receivable and mortgage realization	**(485,409)**	(364,629)
Forgivable loan income	**(10,000)**	-
	1,055,237	1,345,062
Changes in non-cash working capital items		
Accounts receivable	**(115,827)**	(12,130)
Sales taxes recoverable/payable	**(54,727)**	53,645
Prepaid expenses	**(27,893)**	3,342
Properties held for home development	**(1,286,543)**	528,813
Accounts payable and accrued charges	**72,666**	7,598
Deferred revenue	**103,631**	(76,076)
	(253,456)	1,850,254
Financing		
Bank indebtedness	**802,500**	(119,314)
Bank loan	**(36,243)**	(48,324)
Proceeds from issue of long-term debt	**40,000**	-
Repayment of long-term debt	**(120,018)**	(122,591)
	686,239	(290,229)
Investing		
Issuance of new mortgages receivable	**-**	(1,831,305)
Mortgage repayments received	**676,199**	456,748
Repayment of forgivable mortgage	**-**	37,573
Purchase of fixed assets	**(53,376)**	(4,422)
	622,823	(1,341,406)
Increase in cash and cash equivalents	**1,055,606**	218,619
Cash and cash equivalents		
Beginning of year	**276,605**	57,986
End of year	**$ 1,332,211**	$ 276,605

1. Nature of operations and legal form

Habitat For Humanity Niagara (the "Organization") was incorporated without share capital on April 29, 1993 under the Corporations Act of Ontario and is a registered charity under the Income Tax Act (Canada).

The primary objective of the Organization is to aid qualifying economically disadvantaged individuals by constructing or renovating homes and providing financing assistance through non-interest bearing mortgages to enable them to purchase the homes. The Organization also operates three "ReStore" outlets, which sell donated new and used building and household materials.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), and reflect the following policies:

Fund accounting

The Housing Fund reports the assets, liabilities, revenues and expenses relating to the Organization's building and renovation activities. The Housing Fund only includes costs specifically attributed to the construction and renovation of homes and the administration of mortgages on previously sold homes.

The Operating Fund reports the assets, liabilities, revenues and expenses relating to the Organization's three ReStores and accounts for 100% of the Organization's general and administrative costs. The Operating Fund also includes the assets, liabilities, revenues and expenses related to the Organization's fixed assets.

Revenue recognition

Revenue from home sales is recognized when the Organization has transferred the significant risks and rewards of home ownership to the partner family, in that all significant acts have been completed and the Organization retains no continuing involvement, or effective control of, the home to a degree usually associated with ownership, and reasonable assurance exists regarding the measurement of consideration. Generally, this occurs upon transfer of property title to the partner family. The proceeds recognized are determined by reference to the fair market value of the homes transferred. The proceeds are satisfied, for the most part, by mortgages issued by the Organization; these mortgages are recorded at amortized cost in accordance with the financial instruments accounting policy.

The Organization follows the deferral method of accounting for contributions. Unrestricted donations and grants are recorded as revenue when received or receivable. Restricted donations and grants are recognized as revenue in the year in which the externally imposed stipulations are met. The amount of any pledges to donate funds is not recognized as revenue until collection is assured.

The ReStore outlets sell donated new and used materials. Restore outlet revenue is recognized upon delivery of the goods to the customer, this usually occurs at point of sale.

2. Significant accounting policies (continued)

Government assistance

Government assistance received under the Canada Emergency Wage Subsidy (CEWS) program is recognized as revenue in the period during which the related wage costs were incurred. Government assistance received under the Canada Emergency Rent Subsidy (CERS) program is recognized as revenue in the period during which the related occupancy costs were incurred.

Donated goods and services

Donated goods or services are recognized when fair value can be reasonably estimated, the materials or services are used in the normal course of operations and the Organization would have purchased the materials or services if they had not been donated.

Goods donated to the ReStore outlets for resale are not recorded as assets in these financial statements.

A substantial number of volunteers make significant contributions of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and guaranteed income certificates with a maturity within the next three months.

Properties held for home development

The properties held for development are recorded at the lower of cost and net realizable value with cost determined on a specific item basis.

Property, equipment and amortization

Property and equipment are stated at cost. Amortization is provided on the declining-balance or straight-line method over the estimated useful lives of the assets as follows:

Computers	50% and 100%
Furniture and equipment	20%
Leasehold improvements	Straight-line over 10 years
Lift truck	30%
Vehicles	30%

The Organization tests property and equipment for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

2. Significant accounting policies (continued)

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value and subsequently measures all its financial assets and liabilities at cost or amortized cost. Amortized cost is the amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus and reduction for impairment.

Financial instruments are comprised of cash and cash equivalents, accounts receivable, mortgages receivable, bank indebtedness, accounts payable, bank loan, and long-term debt.

The Organization removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

When there is an indication of impairment, 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 the statement of operations. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the statement of operations.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Significant management estimates include the estimated useful lives of property and equipment.

3. Properties held for home development

	2020	2019
Adams Avenue, Niagara Falls	**$ 401,234**	$ 382,219
Cedar Street, Niagara Falls	**137,556**	131,243
David Street, Welland	**82,883**	46,621
Mitchell Street, Port Colborne	**24,929**	23,357
Pilkington Street, Thorold	**1,188**	639
Plymouth & First, Welland	**464,912**	-
Ontario Road, Welland	**538,088**	-
Wellington Street, Port Colborne	**330,620**	74,608
	$ 1,981,410	$ 658,687

4. Mortgages receivable

	2020		2019	
	Face Value	**Amortized Cost**	Face Value	Amortized Cost
1st mortgages receivable	$ 6,877,980	**$ 3,750,250**	$ 7,497,880	$ 3,952,649
2nd and 3rd mortgages receivable (non-forgivable)	697,118	**206,468**	753,417	194,859
	7,575,098	**3,956,718**	8,251,297	4,147,508
2nd and 3rd mortgages receivable (forgivable)	543,118	**-**	543,118	-
Current portion of mortgages receivable	(417,564)	**(221,374)**	(379,814)	(236,278)
Balance, end of year	$ 7,700,652	**$ 3,735,344**	$ 8,414,601	$ 3,911,230

Estimated principal repayments of 1st mortgages and non-forgivable 2nd and 3rd mortgages at face value are as follows:

2021	$ 417,564
2022	405,753
2023	400,250
2024	395,286
2025	395,286
Subsequent years	5,560,959
	$ 7,575,098

Total mortgages receivable represent the aggregate of mortgages on 45 properties (2019: 48 properties).

The 1st mortgages are non-interest bearing and are secured by a charge on specific property, receivable in monthly installments with terms of 15 or 20 years for mortgages since 2016, prior to 2016 there was no specified maturity date. Monthly payments are set annually based on the partner family's income.

The 2nd and 3rd mortgages are non-interest bearing and are secured by a charge on specific property and require no payments with terms of 15, 20 or 35 years. Certain 2nd and 3rd mortgages issued prior to the 2013 year include terms for forgiveness. Forgiveness is contingent upon the occurrence of certain future events including the length of occupancy by the homeowner. The forgivable portion of any mortgage is valued at nil as the likelihood of collection is remote considering the forgivable feature. In the year that a forgivable mortgage is required to be paid, or the right to forgiveness has been forfeited, the previously forgivable portion will be recognized as income.

All mortgages are non-interest bearing, however, due to the application of financial instrument accounting, interest income on mortgages is imputed and recognized in the statement of operations over the life of the mortgage based on the inflation rate. Effectively, amortized cost is the present value of the expected cash flows of the financial instrument over the remaining life of the financial instrument discounted using the effective interest rate at the time of inception.

4. Mortgages receivable (continued)

As these financial instruments are non-interest bearing, this results in discounting the financial instrument and the recognition of interest income over the term of the instrument. Mortgages receivable are reduced by payments made by the counter party.

The effective interest rates range from 3.8% to 14.1% on 1st mortgages and 6.7% to 10.4% on 2nd and 3rd mortgages.

The reported changes in 1st mortgages and non-forgivable 2nd and 3rd mortgages can be summarized as follows:

		2020		
		Face Value	Unamortized Discount	Amortized Cost
Balance, beginning of year		$ 8,251,297	$ (4,103,789)	$ 4,147,508
Less	mortgage realization	(676,199)	485,409	(190,790)
Balance, end of year		$ 7,575,098	$ (3,618,380)	$ 3,956,718

		2019		
		Face Value	Unamortized Discount	Amortized Cost
Balance, beginning of year		$ 6,876,740	$ (3,601,786)	$ 3,274,954
Add	new 1st mortgages	1,635,705	(686,737)	948,968
	new 2nd & 3rd mortgages	195,600	(142,322)	53,278
		1,831,305	(829,059)	1,002,246
Less	mortgage realization	(456,748)	327,056	(129,692)
	recovery of forgivable mortgage	-	37,573	37,573
		(456,748)	364,629	(92,119)
Balance, end of year		$ 8,251,297	$ (4,103,789)	$ 4,147,508

5. Property and equipment

	Cost	Accumulated Amortization	**2020** Net Book Value	2019 Net Book Value
Computers	$ 196,427	$ 164,976	**$ 31,451**	$ 9,939
Furniture and equipment	89,849	79,694	**10,155**	13,920
Leasehold improvements	883,616	585,161	**298,455**	367,171
Lift truck	28,125	25,324	**2,801**	2,670
Vehicles	191,432	150,544	**40,888**	58,411
	$ 1,389,449	$ 1,005,699	**$ 383,750**	$ 452,111

6. Bank indebtedness

The Organization has authorized operating lines of credit totalling $2,200,000 and a demand loan as described in note 7 of $743,163 with the Meridian Credit Union which bear interest at prime plus 1.0%. The credit facility was amended in January 2021 to be secured by a general security agreement, assignment of first mortgages receivable on 34 properties which at December 31, 2020 total $2,230,885 (Face value = $4,078,696), collateral mortgages totalling $1,554,500 on various properties held for home development, and assignment of comprehensive general liability insurance and fire insurance. At December 31, 2020, the operating line of credit balance was $1,256,000 (2019: $453,500).

7. Bank loan

	2020	2019
Meridian Credit Union, demand loan, repayable over maximum 20 year amortization period from initial date of drawdown in April 2016, principal monthly installments totalling $4,027, plus interest at prime plus 1.0%.	**$ 743,163**	$ 779,406
Less current portion of bank loan	**48,324**	48,324
Bank loan due on demand	**$ 694,839**	$ 731,082

The bank demand loan is secured together with the line of credit as described in note 6.

In management's opinion, the lender will not demand early repayment of the bank loan in the current period. Assuming early repayment of the bank loan is not demanded, regular principal payments will be as follows:

2021	$ 48,324
2022	48,324
2023	48,324
2024	48,324
2025	48,324
Thereafter	501,543
	$ 743,163

8. Long-term debt

	2020	2019
Private loan, payable in three equal annual installments in February 2018, 2019 and 2020, plus interest at 2.5%.	**$ -**	$ 108,334
Ford Credit Canada, vehicle loan, payable in blended monthly installments of $1,558, including interest at 6.89%, due September 2023.	**49,917**	61,601
Meridian Credit Union, Canada Emergency Business Account loan (CEBA), non-interest bearing, $10,000 is forgivable if fully repaid by December 31, 2022.	**30,000**	-
	79,917	169,935
Less current portion of long-term debt	**15,973**	123,246
	$ 63,944	$ 46,689

As it is management's intention to repay the CEBA loan prior to December 31, 2022, the $10,000 forgivable portion has been recognized as part of grants and other revenue in the statement of operations.

Principal payments due in the next three years are as follows:

2021	$ 15,973
2022	47,109
2023	16,835
	$ 79,917

9. Commitments

The Organization leases 16,400 square feet at 150 Bunting Road, St. Catharines, Ontario under a ten (10) year lease that expired on June 30, 2020 and is currently month-to-month, 10,000 square feet at 2499 Highway 20 East, Fonthill, Ontario under a ten (10) year lease that expires on February 28, 2025, and 19,100 square feet at 185 South Service Road, Grimsby, Ontario under a ten (10) year lease that expires on November 30, 2026. Minimum lease payments are as follows:

2021	$ 169,725
2022	189,733
2023	190,150
2024	192,233
2025	135,567
Thereafter	113,804
	$ 991,212

10. Contingent liability

On February 26, 2020, Habitat for Humanity Canada ("HFHC") entered into an agreement with Canada Mortgage and Housing Corporation ("CMHC") under the National Housing Co-Investment Fund, which is administered by CMHC as part of Canada's National Housing Strategy, to assist with the financing of the construction and/or the repair and renewal by the HFHC affiliates of affordable owner-occupied housing units. HFHC has entered into separate forgivable loan agreements with each affiliate participating in the CMHC loan program.

As a forgivable loan, the amounts received are considered contributions for accounting purposes as it has been determined by the Organization that it is more likely than not that the amounts will ultimately be forgiven. In addition, as the amounts are received for a specific purpose, the amounts are only recognized as income once an affordable home has been constructed and title passed to a partner family.

The Organization has received $100,000 under this program which is included in grants and other revenue of the housing fund.

In case of default, amounts repayable would bear interest at 5% per annum and would be payable on the first day of the month following the month in which such declaration of the loan default is made by CMHC. While management has determined that it is more likely than not that the amounts received from CMHC will be forgiven, amounts will formally be forgiven over the term of the agreement or 20 years. As of December 31, 2020 no amounts have been forgiven.

The forgivable loan agreement stipulates special covenants on Affordability, Accessibility and Energy Efficiency that must be met for the loans to be forgiven. Affordability must be maintained for 20 years and the Organization must fulfil the covenant on affordability, with either the original units or by substitution for a period of 20 years.

11. Habitat for Humanity Canada

The Organization is an affiliate of Habitat for Humanity Canada ("HFHC"). There is a covenant agreement between HFHC and all Canadian affiliates whereby HFHC provides administrative and marketing support, training opportunities and gift coordination. Pursuant to its affiliate covenant agreement with HFHC, the Organization contributes a tithe for international work. Habitat also pays an affiliation fee consisting of an annual fee, a percentage on all nationally procured gifts in kind used for homebuilding or Restore inventory, and a percentage of gross Restore outlet sales.

At December 31, 2020, the Organization has accounts receivable from HFHC of $20,974 (2019: $52,423) and accounts payable to HFHC of $95,250 (2019: $54,568).

12. Allocation of expenses

During the current year, salaries and benefits expenses have been allocated to the cost of properties held for home development based on the cost of direct labour contributed as follows:

	2020	2019
4th Avenue, Niagara Falls	$ -	$ 54,871
Adams Avenue, Niagara Falls	1,554	9,807
Afton Ave, Welland	-	71,314
Bellevue Street, Niagara Falls	-	72,169
Cedar Street, Niagara Falls	1,939	3,571
David Street, Welland	6,322	1,621
Pilkington Street, Thorold	354	450
Plymouth & First, Welland	1,155	-
Wellington Street, Port Colborne	82,228	2,223
Total salaries and benefits allocated	$ 93,552	$ 216,026

13. Financial instruments

The main risks the Organization is exposed to through its financial instruments are credit risk, liquidity risk and interest rate risk. There have been no changes to risk exposures from the prior year.

(a) 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 takes back mortgages in the normal course of its operations on sales of property. Management believes that the Organization's first charge mortgage held on the related properties mitigates the risk of financial loss.

(b) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting the obligations associated with its financial liabilities. The Organization is exposed to this risk mainly in respect of its bank debt, long-term debt, and accounts payable.

The Organization is exposed by concentration risk as all of its financing facilities are provided by Meridian Credit Union.

(c) 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 on its fixed and floating interest rate financial instruments. Given the current composition of short and long-term debt, fixed-rate instruments subject the Organization to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

14. COVID-19 and subsequent event

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and 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 non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Organization temporarily closed its Restore outlets and ceased home building operations from the period of March 18, 2020 to June 15, 2020. The Organization re-opened its stores on June 16, 2020 under the capacity restrictions as outlined by the Province and resumed home building operations but no homes were sold in the 2020 fiscal year, this has resulted in a decline in revenues.

During the fiscal year, the Organization confirmed its eligibility to receive funding from the government under various government programs. Under the Canada Emergency Wage Subsidy (CEWS) program, the Organization is entitled to receive a subsidy up to 75% of an employee's wages, up to a set amount per week. Government assistance of $332,125 has been recorded in these financial statements. Included in accounts receivable at year end is $110,078 of government assistance receivable relating to CEWS. Under the Canada Emergency Rent Subsidy (CERS) program, the Organization is entitled to receive a subsidy up to 65% of eligible rent expenses, with additional support provided if operations are forced to lock down. Government assistance of $7,919 has been recorded in these financial statements and is receivable at year end. Under the Canada Emergency Commercial Rent Assistance (CECRA) program, the Organization is entitled to receive rent relief from their landlord equal to 75% of the eligible rent expenses. The Organization's occupancy costs were reduced by $109,723 under this program during the fiscal year. At the date these financial statements were completed, the government has committed to continue the CEWS and CERS programs until June 2021. The Organization will continue to assess eligibility and apply for these programs on a month by month basis.

On December 21, 2020, the Provincial government ordered a province-wide lockdown which required to closure of non-essential businesses. The Organization temporarily closed its Restore outlets from the period of December 26, 2020 to February 15, 2021 and limited operations to online sales and curbside pickup. On April 7, 2021, the Provincial government again ordered a province-wide lockdown beginning on April 8, 2021. The Organization has temporarily closed its Restore outlets and will limit operations to online sales and curbside pickup. These Restore outlets represented average monthly sales of approximately $240,000 during the months the stores were operating during fiscal 2020. The closures are expected to reduce related operating expenses, however management has not estimated the amount of these cost savings.

The duration and impact of the 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 of the Company for future periods.

15. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.