Grant Thornton

Financial Statements

Habitat for Humanity Niagara

December 31, 2019

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Grant Thornton

Independent Auditor's Report

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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, 2019, 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 management as at December 31, 2019, 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

The organization derives revenue from 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 management. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, cash flows from operations for the year ended December 31, 2019, current assets as at December 31, 2019, and net assets as at January 1 and December 31, 2019. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of his 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 management 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.

Independent Auditor's Report (continued)

Emphasis of matter

We draw attention to Note 3 to the financial statements, which explains that certain comparative information for the year ended December 31, 2018 has been restated.

The financial statements of Habitat for Humanity Niagara for the year ended December 31, 2018 (prior to the adjustments that were applied to restate certain comparative information explained in Note 3), were audited by Partridge Iggulden LLP Chartered Professional Accountants who expressed a qualified opinion on those statements on March 19, 2019. The partners and staff of Partridge Iggulden LLP Chartered Professional Accountants joined Grant Thornton LLP subsequent to January 1, 2020.

Note 3 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

As part of our audit of the financial statements for the year ended December 31, 2019, we also audited the adjustments that were applied to restate certain of the comparative information presented for the year ended December 31, 2018. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended December 31, 2018. Accordingly, we do not express an opinion or any form of assurance on the financial statements for the year ended December 31, 2018 taken as a whole.

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 management'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 management'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.

Independent Auditor's Report (continued)

- 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
March 31, 2020

Chartered Professional Accountants
Licensed Public Accountants

Habitat for Humanity Niagara
Statement of Financial Position

December 31	Housing Fund	Operating Fund	**2019** Total	2018 Restated (Note 3) Total
Assets				
Current				
Cash and cash equivalents	$ 222,480	$ 54,125	**$ 276,605**	$ 57,986
Accounts receivable	59,358	46,445	**105,803**	93,673
Sales taxes recoverable	-	17,677	**17,677**	43,638
Prepaid expenses	5,844	31,297	**37,141**	40,483
Current portion of mortgages receivable (Note 5)	236,278	-	**236,278**	211,082
	523,960	149,544	**673,504**	446,862
Long-term				
Properties held for home development (Note 4)	658,687	-	**658,687**	**931,619**
Mortgages receivable (Note 5)	3,911,230	-	**3,911,230**	**3,063,872**
Fixed assets (Note 6)	-	452,111	**452,111**	**573,478**
	$ 5,093,877	$ 601,655	**$ 5,695,532**	$ 5,015,831
Liabilities				
Current				
Bank indebtedness (Note 7)	$ 453,500	$ -	**$ 453,500**	$ 572,814
Accounts payable and accrued charges	-	201,957	**201,957**	194,359
Sales taxes payable	46,936	-	**46,936**	19,252
Deferred revenue	-	4,437	**4,437**	80,513
Interfund (receivable) payable	(739,721)	739,721	**-**	-
Current portion of bank loan (Note 8)	48,324	-	**48,324**	48,324
Current portion of long-term debt (Note 9)	-	123,246	**123,246**	122,422
	(190,961)	1,069,361	**878,400**	1,037,684
Bank loan due on demand (Note 8)	731,082	-	**731,082**	779,406
	540,121	1,069,361	**1,609,482**	1,817,090
Long-term				
Long-term debt (Note 9)	-	46,689	**46,689**	170,104
	540,121	1,116,050	**1,656,171**	1,987,194
Net assets				
Housing fund - Internally restricted	4,553,756	-	**4,553,756**	3,572,552
Invested in fixed assets	-	390,510	**390,510**	497,952
Unrestricted	-	(904,905)	**(904,905)**	(1,041,867)
	4,553,756	(514,395)	**4,039,361**	3,028,637
	$ 5,093,877	$ 601,655	**$ 5,695,532**	$ 5,015,831

Commitments (Note 10)
Subsequent event (Note 11)

On behalf of the board

Director Director

Habitat for Humanity Niagara
Statement of Operations

Year ended December 31

	Housing Fund	Operating Fund	**2019 Total**	2018 Restated (Note 3) Total
Revenues				
Home sales	$ 1,817,450	$ -	**$ 1,817,450**	$ 1,406,720
Cost of sales	(1,222,116)	-	**(1,222,116)**	(967,055)
Write-down of mortgages receivable to amortized cost (Note 5)	(829,059)	-	**(829,059)**	(797,098)
Net contribution (loss)	(233,725)	-	**(233,725)**	(357,433)
Donations	297,857	-	**297,857**	538,421
Donations in-kind	255,881	-	**255,881**	28,000
Grants and other revenue	488,190	201,088	**689,278**	490,543
Restore revenue	-	2,468,156	**2,468,156**	2,555,313
	808,203	2,669,244	**3,477,447**	3,254,844
Expenditures				
Advertising and promotion	-	58,008	**58,008**	68,287
Bank charges and interest	64,179	40,509	**104,688**	116,965
Computer maintenance and support	-	32,006	**32,006**	34,381
Conferences, meetings and training	-	34,863	**34,863**	43,772
HFHC fees and tithe (Note 12)	22,500	250,103	**272,603**	230,654
Occupancy costs	-	520,186	**520,186**	522,218
Office and insurance	11,073	42,533	**53,606**	57,458
Professional fees	10,131	29,388	**39,519**	67,291
Property costs	14,598	-	**14,598**	33,240
Salaries and benefits (Note 13)	69,147	1,386,808	**1,455,955**	1,545,276
Supplies and equipment	-	28,098	**28,098**	41,912
Telephone and communications	-	25,254	**25,254**	26,989
Vehicle expenses	-	52,350	**52,350**	59,835
Waste disposal	-	13,829	**13,829**	13,981
	191,628	2,513,935	**2,705,563**	2,862,259
Excess of revenues over expenditures before other income (expense)	616,575	155,309	**771,884**	392,585
Other income (expense)				
Amortization	-	(125,789)	**(125,789)**	(125,219)
Interest income on mortgages receivable and mortgage realization (Note 5)	364,629	-	**364,629**	240,429
	364,629	(125,789)	**238,840**	115,210
Excess of revenues over expenditures	$ 981,204	$ 29,520	**$ 1,010,724**	$ 507,795

Habitat for Humanity Niagara
Statement of Changes in Net Assets
Year ended December 31, 2019

	Housing Fund	Operating Fund: Invested in Fixed Assets	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 expenditures	**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**

Year ended December 31, 2018

Restated (Note 3)

	Housing Fund	Operating Fund: Invested in Fixed Assets	Operating Fund: Unrestricted	Total
Balance (deficit), beginning of year	3,013,488	617,646	(1,110,292)	2,520,842
Excess (deficiency) of revenues over expenditures	559,064	(125,219)	73,950	507,795
Investment in fixed assets	-	81,051	(81,051)	-
Repayment of long-term debt	-	(75,526)	75,526	-
Balance (deficit), end of year	$ 3,572,552	$ 497,952	$ (1,041,867)	$ 3,028,637

Habitat for Humanity Niagara
Statement of Cash Flows

Year ended December 31	2019	2018 Restated (Note 3)
Increase (decrease) in cash and cash equivilants		
Operating		
Excess of revenues over expenditures	**$ 1,010,724**	$ 507,795
Items not affecting cash		
Amortization	**125,789**	125,219
Gifts in kind	**(255,881)**	(28,000)
Write-down of mortgages receivable to amortized cost	**829,059**	797,098
Interest income on mortgages receivable and mortgage realization	**(364,629)**	(240,429)
	1,345,062	1,161,683
Changes in non-cash working capital items		
Accounts receivable	**(12,130)**	(40,368)
Sales taxes recoverable/payable	**53,645**	(13,675)
Prepaid expenses	**3,342**	25,888
Accounts payable and accrued charges	**7,598**	8,947
Deferred revenue	**(76,076)**	68,953
	1,321,441	1,211,428
Financing		
Bank indebtedness	**(119,314)**	(73,143)
Bank loan	**(48,324)**	(52,270)
Proceeds from issue of long-term debt	**-**	78,875
Repayment of long-term debt	**(122,591)**	(111,349)
	(290,229)	(157,887)
Investing		
Properties held for home development	**528,813**	78,681
Issuance of new mortgages receivable	**(1,831,305)**	(1,400,132)
Mortgage repayments received	**456,748**	296,321
Repayment of forgivable mortgage	**37,573**	-
Purchase of fixed assets	**(4,422)**	(81,051)
	(812,593)	(1,106,181)
Increase (decrease) in cash and cash equivilants	**218,619**	(52,640)
Cash and cash equivilants		
Beginning of year	**57,986**	110,626
End of year	**$ 276,605**	$ 57,986

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:

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 donations. Unrestricted donations are recorded as revenue when received or receivable. Restricted donations and grants are recognized as revenue in the year in which the related expenses or expenditures are incurred. 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.

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 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.

2. Significant accounting policies (continued)

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.

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.

Fixed assets and amortization

Fixed assets 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%

Financial instruments

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

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.

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.

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure and the reported amounts of revenue and expenses during the reporting period. The main estimates relate to the fair value of financial assets acquired including gifts in kind, the fair value of financial liabilities, the effective interest rate used on recognition of mortgages receivable, the mortgage term for agreements with no maturity date, collectability of accounts and mortgages receivable, the useful life of fixed assets. Actual results could differ from those estimates.

3. Adjustment to Prior Year

During the period periods, the Organization recorded its mortgages receivable at fair value and discounted using an imputed interest rate of 2%. During the year ended December 31, 2019, the imputed interest rate calculations applied on the initial measurement of the mortgages were revisited, and it was concluded that imputed interest rates range from 3.8% to 14.1% on 1st mortgages and 6.7% to 10.4% on 2nd and 3rd mortgages would more accurately reflect the credit risk associated with the mortgages in the year the home was sold.

The Organization has adjusted this retroactively. The impact on the financial statements for the year ended December 31, 2018 is as follows:

	Previously Reported	Adjustment	Restated
Statement of Financial Position			
Mortgage receivable	$ 5,489,932	$(2,214,978)	$ 3,274,954
Statement of Operations			
Write-down of mortgages receivable to amortized cost	(352,369)	(444,729)	(797,098)
Interest income on mortgages receivable and mortgage realization	98,634	141,795	240,429
Statement of Changes in Net Assets			
Housing Fund, beginning of year	4,925,532	(1,912,044)	3,013,488
Housing Fund, end of year	5,787,530	(2,214,978)	3,572,552
Statement of Cash Flows			
Excess of revenue over expenditures	810,729	(302,934)	507,795
Write-down of mortgages receivable to amortized cost	352,369	444,729	797,098
Interest income on mortgages receivable and mortgage realization	(98,634)	(141,795)	(240,429)

4. Properties held for home development

	2019	2018
4th Avenue, Niagara Falls	**$ -**	$ 66,835
Adams Avenue, Niagara Falls	**382,219**	305,221
Afton Avenue, Welland	**-**	376,172
Bellevue Street, Niagara Falls	**-**	31,585
Cedar Street, Niagara Falls	**131,243**	123,295
David Street, Welland	**46,621**	-
Mitchell Street, Port Colborne	**23,357**	21,963
Pilkington Street, Thorold	**639**	1
Wellington Street, Port Colborne	**74,608**	-
Building materials	**-**	6,547
	$ 658,687	$ 931,619

5. Mortgages receivable

	2019		2018	
	Face Value	**Amortized Cost**	Face Value	Amortized Cost
1st mortgages receivable	$ 7,497,880	**$ 3,952,649**	$ 6,318,134	$ 3,144,299
2nd and 3rd mortgages receivable (non-forgivable)	753,417	**194,859**	558,606	130,655
	8,251,297	**4,147,508**	6,876,740	3,274,954
2nd and 3rd mortgages receivable (forgivable)	543,118	**-**	580,691	-
Current portion of mortgages receivable	(379,814)	**(236,278)**	(335,127)	(211,082)
Balance, end of year	$ 8,414,601	**$ 3,911,230**	$ 7,122,304	$ 3,063,872

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

2020	$ 379,814
2021	369,444
2022	357,394
2023	352,148
2024	347,182
Subsequent years	6,445,315
	$ 8,251,297

5. Mortgages receivable (continued)

Total mortgages receivable represent the aggregate of mortgages on 48 properties (2018: 46 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 occurrance 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.

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 fair value of 1st mortgages and non-forgivable 2nd and 3rd mortgages can be summarized as follows:

		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. Mortgages receivable (continued)

	2018 Face Value	2018 Unamortized Discount	2018 Amortized Cost
Balance, beginning of year	$ 5,772,929	$(3,045,117)	$ 2,727,812
Add new 1st mortgages	1,246,249	(675,710)	570,539
new 2nd & 3rd mortgages	153,883	(121,388)	32,495
	1,400,132	(797,098)	603,034
Less mortgage realization	(296,321)	240,429	(55,892)
Balance, end of year	$ 6,876,740	$(3,601,786)	$ 3,274,954

6. Fixed assets

	Cost	Accumulated Amortization	**2019 Net Book Value**	2018 Net Book Value
Computers	$ 163,097	$ 153,158	**$ 9,939**	$ 19,879
Furniture and equipment	89,849	75,929	**13,920**	17,400
Leasehold improvements	864,930	497,759	**367,171**	448,939
Lift truck	26,764	24,094	**2,670**	3,815
Vehicles	191,432	133,021	**58,411**	83,445
	$ 1,336,072	$ 883,961	**$ 452,111**	$ 573,478

7. Bank indebtedness

The organization has authorized operating lines of credit totalling $2,200,000 and a demand loan to a maximum of $779,406 with the Meridian Credit Union which bear interest at prime plus 1.0 % and are secured by a general security agreement, assignment of first mortgages receivable on 38 properties which at December 31, 2019 total $2,423,427 (Face value = $4,606,051), collateral mortgages totalling $533,500 on various properties held for home development, and assignment of comprehensive general liability insurance and fire insurance.

8. Bank loan

	2019	2018
Meridian Credit Union, demand loan, repayable over maximum 20 year amortization period from initial date of drawdown in April 2016, principal monthly installments totalling $4,027, plus interest at prime plus 1.0%.	**$ 779,406**	$ 827,730
Less current portion of bank loan	**48,324**	48,324
Bank loan due on demand	**$ 731,082**	$ 779,406

The bank demand loan is secured together with the line of credit as described in note 7.

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:

2020	$ 48,324
2021	48,324
2022	48,324
2023	48,324
2024	48,324
Thereafter	537,786
	$ 779,406

9. Long-term debt

	2019	2018
Private loan, payable in three equal annual installments in February 2018, 2019 and 2020, plus interest at 2.5%.	**$ 108,334**	$ 217,000
Ford Credit Canada, vehicle loan, payable in blended monthly installments of $1,558, including interest at 6.89%, due September 2023.	**61,601**	75,526
	169,935	292,526
Less current portion of long-term debt	**123,246**	122,422
	$ 46,689	$ 170,104

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

2020	$ 123,246
2021	15,973
2022	17,109
2023	13,607
	$ 169,935

10. Commitments

The organization leases 16,400 square feet at 150 Bunting Road, St. Catharines, Ontario under a ten (10) year lease that expires on June 30, 2020, 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:

2020	$ 214,833
2021	169,725
2022	189,733
2023	190,150
2024	192,233
Thereafter	249,371
	$ 1,206,045

Common charges are paid in addition to the minimum lease payments. These payments totaled $132,603 for the 2019 year.

11. 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, 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 these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 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.

On March 18, 2020, in response to the spread of COVID-19, the Organization temporarily closed its Restore outlets, which represented average monthly sales of approximately $205,000 during fiscal 2019.

The closures are expected to reduce related operating expenses, however management has not estimated the amount of these cost savings.

12. 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, 2019, the organization has accounts receivable from HFHC of $52,423 (2018: $39,184) and accounts payable to HFHC of $54,568 (2018: $43,685).

13. Allocation of expenses

During the current year, salaries and benefits expenses have been allocated to the cost of properties held for home development and fixed assets as follows:

	2019	2018
4th Avenue, Niagara Falls	**$ 54,871**	$ -
Adams Avenue, Niagara Falls	**9,807**	-
Afton Ave, Welland	**71,314**	182,762
Bellevue Street, Niagara Falls	**72,169**	-
Cedar Street, Niagara Falls	**3,571**	-
David Street, Welland	**1,621**	-
Pilkington Street, Thorold	**450**	-
Wellington Street, Port Colborne	**2,223**	-
Total salaries and benefits allocated	**$ 216,026**	$ 182,762

14. 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.

14. Financial instruments (continued)

(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.

15. Comparative figures

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