

**HABITAT FOR HUMANITY NIAGARA**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

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# PARTRIDGE IGGULDEN LLP

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CHARTERED PROFESSIONAL ACCOUNTANTS

March 19, 2019


To the Board of Directors of  
Habitat for Humanity Niagara

We have completed the audit of Habitat for Humanity Niagara for the year ended December 31, 2018 and have attached the following:

- Index -

Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Operations	4
Statement of Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-13
Supplementary Corporate Information	14

We shall be pleased to provide any further information you may require.



Lawrence A. Iggulden, Hons. B.A., FCPA, FCA, for  
**PARTRIDGE IGGULDEN LLP**  
Chartered Professional Accountants  
Licensed Public Accountants

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# PARTRIDGE IGGULDEN LLP

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CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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, 2018, and the statements of operations, 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 described 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, 2018, 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, fundraising and Restore sales, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of the receipts from these sources was limited to a comparison of bank deposits with the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and net assets.

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 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.

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.

The engagement partner on the audit resulting in this independent auditor's report is Larry A. Iggulden, Hons B.A., FCPA, FCA.

*Partridge Iggulden LLP*

**PARTRIDGE IGGULDEN LLP**  
Chartered Professional Accountants  
Licensed Public Accountants

St. Catharines, Ontario  
March 19, 2019

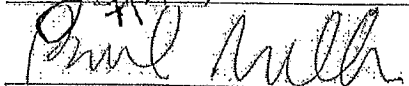
**HABITAT FOR HUMANITY NIAGARA**  
**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2018**

<b>ASSETS</b>	<b>2018</b>			<b>2017</b>
	<b>Housing Fund</b>	<b>Operating Fund</b>	<b>Total</b>	<b>Total</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 56,136	\$ 1,850	\$ 57,986	\$ 110,626
Accounts receivable	44,317	49,356	93,673	53,305
Sales taxes recoverable	-	43,638	43,638	10,711
Prepaid expenses	11,844	28,639	40,483	66,371
Current portion of mortgages receivable (Note 2)	<u>268,753</u>	<u>-</u>	<u>268,753</u>	<u>221,953</u>
	<b>381,050</b>	<b>123,483</b>	<b>504,533</b>	<b>462,966</b>
<b>MORTGAGES RECEIVABLE (Note 2)</b>	<b>5,221,179</b>	<b>-</b>	<b>5,221,179</b>	<b>4,417,903</b>
<b>PROPERTIES HELD FOR HOME DEVELOPMENT (Note 3)</b>				
	<b>931,619</b>	<b>-</b>	<b>931,619</b>	<b>982,300</b>
<b>FIXED ASSETS (Note 4)</b>	<b>-</b>	<b>573,478</b>	<b>573,478</b>	<b>617,646</b>
	<u><b>\$ 6,533,848</b></u>	<u><b>\$ 696,961</b></u>	<u><b>\$ 7,230,809</b></u>	<u><b>\$ 6,480,815</b></u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Bank indebtedness (Note 5)	\$ 563,500	\$ 9,314	\$ 572,814	\$ 645,957
Accounts payable and accrued charges	65,669	128,690	194,359	185,412
Sales taxes payable	19,252	-	19,252	-
Deferred revenue	70,600	9,913	80,513	11,560
Interfund (receivable) payable	(800,433)	800,433	-	-
Current portion of bank loan (Note 6)	48,324	-	48,324	48,324
Current portion of long-term debt (Note 7)	<u>-</u>	<u>122,422</u>	<u>122,422</u>	<u>108,333</u>
	<b>(33,088)</b>	<b>1,070,772</b>	<b>1,037,684</b>	<b>999,586</b>
Bank loan due on demand (Note 6)	<u>779,406</u>	<u>-</u>	<u>779,406</u>	<u>831,676</u>
	<b>746,318</b>	<b>1,070,772</b>	<b>1,817,090</b>	<b>1,831,262</b>
<b>LONG-TERM DEBT (Note 7)</b>	<b>-</b>	<b>170,104</b>	<b>170,104</b>	<b>216,667</b>
<b>COMMITMENTS (Note 8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<u><b>746,318</b></u>	<u><b>1,240,876</b></u>	<u><b>1,987,194</b></u>	<u><b>2,047,929</b></u>
<b>NET ASSETS (DEFICIT)</b>				
<b>HOUSING FUND</b>	<b>5,787,530</b>	<b>-</b>	<b>5,787,530</b>	<b>4,925,532</b>
<b>OPERATING FUND - INVESTED IN FIXED ASSETS</b>	<b>-</b>	<b>573,478</b>	<b>573,478</b>	<b>617,646</b>
<b>OPERATING FUND - UNRESTRICTED</b>	<b>-</b>	<b>(1,117,393)</b>	<b>(1,117,393)</b>	<b>(1,110,292)</b>
	<u><b>5,787,530</b></u>	<u><b>(543,915)</b></u>	<u><b>5,243,615</b></u>	<u><b>4,432,886</b></u>
	<u><b>\$ 6,533,848</b></u>	<u><b>\$ 696,961</b></u>	<u><b>\$ 7,230,809</b></u>	<u><b>\$ 6,480,815</b></u>

Approved on behalf of the Board:

 , Director

 , Director

St. Catharines, Ontario

March 19, 2019

The accompanying notes are an integral part of the financial statements

**HABITAT FOR HUMANITY NIAGARA****STATEMENT OF OPERATIONS****YEAR ENDED DECEMBER 31, 2018**

	2018			2017
	Housing Fund	Operating Fund	Total	Total
<b>REVENUE</b>				
Home sales	\$ 1,406,720	\$ -	\$ 1,406,720	\$ 1,562,880
Cost of sales	(967,055)	-	(967,055)	(1,034,331)
Gross margin	439,665	-	439,665	528,549
Donations	538,421	-	538,421	516,898
Grants and other revenue	311,800	177,096	488,896	221,205
Restore revenue	-	2,555,313	2,555,313	2,092,057
	<u>1,289,886</u>	<u>2,732,409</u>	<u>4,022,295</u>	<u>3,358,709</u>
<b>EXPENSES</b>				
Advertising and promotion	-	68,287	68,287	78,937
Bank charges and interest	69,763	47,202	116,965	80,564
Computer maintenance and support	-	34,381	34,381	28,838
Conferences, meetings and training	-	43,772	43,772	48,495
HFHC affiliation fees (Note 9)	12,500	218,154	230,654	245,928
Occupancy costs	-	522,218	522,218	365,221
Office and insurance	8,333	49,125	57,458	90,975
Professional fees	4,040	63,251	67,291	30,772
Property costs	33,240	-	33,240	33,692
Salaries and benefits (Note 10)	74,277	1,470,999	1,545,276	1,370,024
Supplies and equipment	-	41,912	41,912	47,340
Telephone and communications	-	26,989	26,989	27,741
Vehicle expenses	-	59,835	59,835	57,578
Waste disposal	-	13,981	13,981	13,798
	<u>202,153</u>	<u>2,660,106</u>	<u>2,862,259</u>	<u>2,519,903</u>
<b>OPERATING INCOME</b>	<u>1,087,733</u>	<u>72,303</u>	<u>1,160,036</u>	<u>838,806</u>
<b>OTHER INCOME (EXPENSE)</b>				
Amortization	-	(125,219)	(125,219)	(103,159)
Trillium grant	-	1,647	1,647	22,416
Start up costs - Grimsby Restore	-	-	-	(147,099)
Donations in-kind	28,000	-	28,000	51,609
Net gain (loss) on change in unamortized mortgage discounts	(253,735)	-	(253,735)	47,668
	<u>(225,735)</u>	<u>(123,572)</u>	<u>(349,307)</u>	<u>(128,565)</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ 861,998</u>	<u>\$ (51,269)</u>	<u>\$ 810,729</u>	<u>\$ 710,241</u>

The accompanying notes are an integral part of the financial statements

HABITAT FOR HUMANITY NIAGARASTATEMENT OF NET ASSETSYEAR ENDED DECEMBER 31, 2018

	<u>Housing Fund</u>	<u>Operating Fund</u>		<u>2018</u>	<u>2017</u>
		<u>Invested in Fixed Assets</u>	<u>Unrestricted</u>		
BALANCE (DEFICIT), BEGINNING OF YEAR	\$ 4,925,532	\$ 617,646	\$ (1,110,292)	\$ 4,432,886	\$ 3,722,645
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	861,998	(125,219)	73,950	810,729	710,241
INVESTED IN FIXED ASSETS	-	81,051	(81,051)	-	-
BALANCE (DEFICIT), END OF YEAR	<u>\$ 5,787,530</u>	<u>\$ 573,478</u>	<u>\$ (1,117,393)</u>	<u>\$ 5,243,615</u>	<u>\$ 4,432,886</u>

The accompanying notes are an integral part of the financial statements

**HABITAT FOR HUMANITY NIAGARA****STATEMENT OF CASH FLOWS****YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 810,729	\$ 710,241
Add (deduct) items not affecting cash		
Amortization	125,219	103,159
Donations in-kind revenue, net of cost of sales	(28,000)	(37,500)
Mortgage discounts (net)	253,735	(47,668)
	<u>1,161,683</u>	<u>728,232</u>
Effects on cash from changes in operating assets and liabilities		
Accounts receivable	(40,368)	(3,606)
Sales taxes recoverable	(13,675)	(20,764)
Prepaid expenses	25,888	(20,572)
Accounts payable and accrued charges	8,947	19,089
Deferred revenue	68,953	(29,915)
Cash flows from operating activities	<u>1,211,428</u>	<u>672,464</u>
<b>FINANCING ACTIVITIES</b>		
Increase (decrease) in bank indebtedness	(73,143)	380,957
Repayments of bank loan	(52,270)	(72,000)
Issuance of long-term debt	78,875	225,000
Repayments of long-term debt	(111,349)	-
Cash flows from (used in) financing activities	<u>(157,887)</u>	<u>533,957</u>
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in properties held for home development (net)	78,681	(280,303)
Issuance of new mortgages receivable	(1,400,132)	(1,553,938)
Mortgage repayments received	296,321	479,497
Purchase of fixed assets	(81,051)	(387,173)
Cash flows used in investing activities	<u>(1,106,181)</u>	<u>(1,741,917)</u>
<b>INCREASE (DECREASE) IN CASH FOR YEAR</b>	<b>(52,640)</b>	<b>(535,496)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b><u>110,626</u></b>	<b><u>646,122</u></b>
<b>CASH, END OF YEAR</b>	<b><u>\$ 57,986</u></b>	<b><u>\$ 110,626</u></b>

The accompanying notes are an integral part of the financial statements



## HABITAT FOR HUMANITY NIAGARA

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

#### **PURPOSE OF THE ORGANIZATION**

Habitat For Humanity Niagara was incorporated on April 29, 1993 under the Corporations Act of Ontario as a not-for-profit organization and is a registered charity and is exempt from tax under paragraph 149(1)(f) of the Income Tax Act.

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 ReStores, which offers new and used building and household materials for sale to the public.

#### **1. SIGNIFICANT ACCOUNTING POLICIES**

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

##### **Revenue recognition**

Revenue from home sales is recognized upon the occupancy of the home by the partner family.

Unrestricted donations and grants are recorded as revenue when received. Donations and grants received to fund future period expenditures are recorded as deferred revenue.

The Organization records only gifts in kind related to donated fixed assets and property held for development when fair value can be reasonably determined.

Contributed materials for resale are recorded as ReStore revenue at the time those goods are sold as there is no certainty that all goods received of this nature will be sold.

Much of the work in the Organization is dependent on the services of volunteers. Since these services are not normally purchased by the Organization and because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

##### **Fund Accounting**

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.

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.

##### **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 twelve 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.

**HABITAT FOR HUMANITY NIAGARA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fixed Assets and Amortization**

Fixed assets are stated at cost. Amortization is provided on the diminishing-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, accounts receivable, mortgages receivable, bank indebtedness, accounts payable and accrued charges, bank demand 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.

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 net income. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 net income.

**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 assets acquired, liabilities assumed, the interest rate used for the amortized cost of mortgages receivable, collectibility of accounts and mortgages receivable, and the useful life of fixed assets. Actual results could differ from those estimates.

**2. MORTGAGES RECEIVABLE**

	<u>2018</u>		<u>2017</u>
	<u>Face Value</u>	<u>Amortized Cost</u>	<u>Amortized Cost</u>
1st mortgages receivable	\$ 6,318,134	\$ 5,109,369	\$ 4,369,389
2nd and 3rd mortgages receivable (non-forgivable)	<u>558,606</u>	<u>380,563</u>	<u>270,467</u>
	6,876,740	5,489,932	4,639,856
2nd and 3rd mortgages receivable (forgivable)	580,691	-	-
Current portion of 1st mortgages receivable	<u>(335,127)</u>	<u>(268,753)</u>	<u>(221,953)</u>
Balance, end of year	<u>\$ 7,122,304</u>	<u>\$ 5,221,179</u>	<u>\$ 4,417,903</u>

**HABITAT FOR HUMANITY NIAGARA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**2. MORTGAGES RECEIVABLE (continued)**

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

Years ending December 31, 2019	\$ 335,127
2020	317,089
2021	313,011
2022	294,154
2023	288,113
Thereafter	<u>5,329,246</u>
	<u>\$ 6,876,740</u>

Total mortgages receivable represent the aggregate of mortgages on 46 properties (2017: 44 properties).

The 1st mortgages are non-interest bearing and are secured by a charge on specific property, repayable in monthly instalments with terms up to a maximum of 35 years. The current policy for mortgages sets the maximum term at 20 years. Monthly payments are set annually based on the partner family's income.

Title on the 1st mortgages when registered have been put in the name of the Meridian Credit Union rather than Habitat. The 1st mortgages are an asset of Habitat and have been disclosed on the financial statements as an asset.

The 2nd and 3rd mortgages are non-interest bearing and are secured by a charge on specific property.

For forgivable 2nd and 3rd mortgages, repayment is contingent upon the occurrence of certain events and may be forgiven upon full receipt of the 1st mortgage. 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 due to breach of terms, the previously forgivable portion will be recognized as income.

For the non-forgivable 2nd and 3rd mortgages, the full principal balance is repayable at the maturity of the mortgage, to a maximum of 35 years. The current policy for mortgages sets the maturity at 20 years.

Where 3rd mortgages are executed, a 2nd mortgage on the home is held by Niagara Regional Housing.

Mortgages receivable are a financial asset measured at amortized cost using the effective interest rate method. The amortized cost has been calculated using a discount rate equal to the current inflation rate of approximately 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, the current inflation rate is considered to be an appropriate discount rate.

**HABITAT FOR HUMANITY NIAGARA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**2. MORTGAGES RECEIVABLE (continued)**

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

	<u>2018</u>			<u>2017</u>
	<u>Face Value</u>	<u>Unamortized Discounts</u>	<u>Amortized Cost</u>	<u>Amortized Cost</u>
Balance, beginning of year	\$ 5,772,929	\$ (1,133,073)	\$ 4,639,856	\$ 3,517,747
Add : new 1st mortgages	1,246,249	(303,970)	942,279	1,096,520
: new 2nd & 3rd mortgages	153,883	(48,399)	105,484	126,799
Less : repayments	(296,321)	73,891	(222,430)	(305,107)
: changes to payment terms	-	24,743	24,743	203,897
	<u>1,103,811</u>	<u>(253,735)</u>	<u>850,076</u>	<u>1,122,109</u>
Balance, end of year	<u>\$ 6,876,740</u>	<u>\$ (1,386,808)</u>	<u>\$ 5,489,932</u>	<u>\$ 4,639,856</u>

**3. PROPERTIES HELD FOR HOME DEVELOPMENT**

	<u>2018</u>	<u>2017</u>
4th Avenue, Niagara Falls	\$ 66,835	\$ 65,335
Adams Avenue, Niagara Falls	305,221	223,806
Afton Avenue, Welland	376,172	211,657
Bellevue Street, Niagara Falls	31,585	30,185
Cedar Street, Niagara Falls	123,295	125,235
Mitchell Street, Port Colborne	21,963	20,093
Pilkington Street, Thorold	1	1
Tasker Street, St. Catharines	-	291,941
Building materials	6,547	14,047
	<u>\$ 931,619</u>	<u>\$ 982,300</u>

**4. FIXED ASSETS**

	<u>December 31, 2018</u>			<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computers	\$ 163,097	\$ 143,218	\$ 19,879	\$ 39,758
Furniture and equipment	89,849	72,449	17,400	21,749
Leasehold improvements	860,508	411,569	448,939	526,101
Lift truck	26,764	22,949	3,815	5,450
Vehicles	191,432	107,987	83,445	24,588
	<u>\$ 1,331,650</u>	<u>\$ 758,172</u>	<u>\$ 573,478</u>	<u>\$ 617,646</u>

**HABITAT FOR HUMANITY NIAGARA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**5. BANK INDEBTEDNESS**

The Organization has authorized operating lines of credit totalling \$2,200,000 and a demand loan to a maximum of \$831,757 with the Meridian Credit Union which bear interest at prime plus 1.0 % and are secured by a general security agreement, assignment of various first mortgages receivable which at December 31, 2018 total \$4,088,673 (Face value = \$5,012,082), collateral mortgages totalling \$563,500 on various properties held for home development, and assignment of comprehensive general liability insurance and fire insurance.

**6. BANK DEMAND LOAN**

	<b>2018</b>	<b>2017</b>
Meridian Credit Union, demand loan, payable in principal monthly instalments totalling \$4,027, plus interest at prime plus 1.0%, due on demand.	\$ 827,730	\$ 880,000
Less amount due within one year	48,324	48,324
	<b>\$ 779,406</b>	<b>\$ 831,676</b>

The bank demand loan is secured together with the line of credit as described in note 5.

**7. LONG-TERM DEBT**

	<b>2018</b>	<b>2017</b>
Private loan Payable in three equal annual instalments in February 2018, 2019 and 2020, plus interest at 2.5%.	\$ 217,000	\$ 325,000
Ford Credit Canada, vehicle loan, payable in blended monthly instalments of \$1,558, including interest at 6.89%, due September 2023.	75,526	-
	292,526	325,000
Less principal amounts due within one year	122,422	108,333
	<b>\$ 170,104</b>	<b>\$ 216,667</b>

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

Years ending December 31, 2019	\$	122,422
2020		123,412
2021		15,973
2022		17,109
2023		13,610
	<b>\$</b>	<b>292,526</b>

HABITAT FOR HUMANITY NIAGARANOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2018**8. 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:

2019	\$	261,950
2020		214,833
2021		169,725
2022		189,733
2023		171,050
Thereafter		<u>631,754</u>
	\$	<u>1,639,045</u>

Common charges are paid in addition to the minimum lease payments. These payments totaled \$131,770 for the 2018 year.

The Organization leases a vehicle from Ryder Truck Rental Canada Ltd. under a five (5) year lease that expires in April, 2020. Minimum lease payments are as follows:

2019	\$	14,700
2020		<u>3,675</u>
	\$	<u>18,375</u>

**9. 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.

**HABITAT FOR HUMANITY NIAGARA****NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2018****10. 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:

	<u>2018</u>	<u>2017</u>
Afton Ave, Welland	\$ 182,762	\$ -
Baker Road, Grimsby	-	17,910
Crescent Road, Fort Erie	-	12,027
Grey Ave, Niagara Falls	-	40,756
Sauer Avenue, Welland	-	<u>16,467</u>
	<u>182,762</u>	<u>87,160</u>
Leasehold improvements	-	<u>12,677</u>
	<u>\$ 182,762</u>	<u>\$ 99,837</u>
Total salaries and benefits allocated		

**11. FINANCIAL RISKS**

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

**Credit Risk Exposure**

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 is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable and mortgages receivable. Management believes that the Organization's first charge mortgage held on the related properties mitigates the risk of financial loss.

**Interest Rate Risk Exposure**

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 bank indebtedness and demand loan, which bear interest at variable rates.

**Liquidity Risk Exposure**

Liquidity risk is the risk that the Organization will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Organization's cash requirements. Additional cash requirements are met with the use of available bank borrowings as described in note 5.

HABITAT FOR HUMANITY NIAGARASUPPLEMENTARY CORPORATE INFORMATIONDECEMBER 31, 2018

**HEAD OFFICE:** 150 Bunting Road  
St. Catharines, Ontario  
L2P 3G5

**DIRECTORS AND OFFICERS:** Paul Miller - Chairperson  
Nick Golia - Past Chair  
Cindi Loforti Lepp - Vice Chair  
Jeff McLean - Treasurer  
Andy Snazyk - Secretary  
Frank Demizio  
Ross McCallum  
Carl Ryan  
Harry Thorsteinson  
Carolyn Webb  
Dave Weins

**CHIEF EXECUTIVE OFFICER:** Mark Carl

**AUDITORS:** Partridge Iggulden LLP  
Chartered Professional Accountants  
Licensed Public Accountants  
110 Hannover Drive, Suite B201  
St. Catharines, Ontario  
L2W 1A4

**BANKER:** Meridian Credit Union  
Grantham Plaza  
400 Scott Street  
St. Catharines, Ontario  
L2M 3W4

**LAWYERS:** Lancaster, Brooks & Welch  
Barristers & Solicitors  
80 King Street, Suite 800  
St. Catharines, Ontario  
L2R 6Z1