



Financial Statements

Habitat for Humanity Niagara

December 31, 2021

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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, 2021, 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 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, 2021, 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 Restore sales and donations, 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, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

St. Catharines, Canada
April 6, 2022

Chartered Professional Accountants
Licensed Public Accountants

Habitat for Humanity Niagara Statement of Financial Position

December 31

2021

2020

	Housing Fund	Operating Fund	Total	Total
Assets				
Current				
Cash and cash equivalents	\$ 1,253,840	\$ 470,620	\$ 1,724,460	\$ 1,332,211
Accounts receivable	65,945	39,850	105,795	221,630
Sales taxes recoverable	-	26,097	26,097	25,468
Prepaid expenses	23,628	35,252	58,880	65,034
Properties held for home development (Note 3)	1,909,396	-	1,909,396	1,981,410
Current portion of mortgages receivable (Note 4)	<u>228,563</u>	<u>-</u>	<u>228,563</u>	<u>221,374</u>
	3,481,372	571,819	4,053,191	3,847,127
Long-term				
Mortgages receivable (Note 4)	4,020,027	-	4,020,027	3,735,344
Property and equipment (Note 5)	<u>-</u>	<u>448,516</u>	<u>448,516</u>	<u>418,014</u>
	<u>\$ 7,501,399</u>	<u>\$ 1,020,335</u>	<u>\$ 8,521,734</u>	<u>\$ 8,000,485</u>
Liabilities				
Current				
Bank indebtedness (Note 6)	\$ 1,382,000	\$ -	\$ 1,382,000	\$ 1,256,000
Accounts payable and accrued charges	50,141	197,558	247,699	274,623
Sales taxes payable	33,005	-	33,005	-
Deferred revenue	20,000	-	20,000	108,068
Interfund (receivable) payable	(856,739)	856,739	-	-
Current portion of bank loan (Note 7)	48,324	-	48,324	48,324
Current portion of long-term debt (Note 8)	<u>-</u>	<u>16,232</u>	<u>16,232</u>	<u>15,973</u>
	676,731	1,070,529	1,747,260	1,702,988
Bank loan due on demand (Note 7)	<u>646,489</u>	<u>-</u>	<u>646,489</u>	<u>694,839</u>
	1,323,220	1,070,529	2,393,749	2,397,827
Long-term				
Long-term debt (Note 8)	<u>-</u>	<u>57,939</u>	<u>57,939</u>	<u>63,944</u>
	<u>1,323,220</u>	<u>1,128,468</u>	<u>2,451,688</u>	<u>2,461,771</u>
Net assets				
Housing fund - Internally restricted	6,178,179	-	6,178,179	5,715,764
Invested in property and equipment	-	414,345	414,345	368,097
Unrestricted	<u>-</u>	<u>(522,478)</u>	<u>(522,478)</u>	<u>(545,147)</u>
	<u>6,178,179</u>	<u>(108,133)</u>	<u>6,070,046</u>	<u>5,538,714</u>
	<u>\$ 7,501,399</u>	<u>\$ 1,020,335</u>	<u>\$ 8,521,734</u>	<u>\$ 8,000,485</u>

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

2021

2020

	Housing Fund	Operating Fund	Total	Total
Revenues				
Home sales	\$ 1,083,020	\$ -	\$ 1,083,020	\$ -
Cost of sales	(763,885)	-	(763,885)	-
Write-down of mortgages receivable to amortized cost (Note 4)	(656,559)	-	(656,559)	-
Net contribution (loss)	(337,424)	-	(337,424)	-
Donations	202,163	-	202,163	174,334
Donations in-kind	85,051	-	85,051	36,180
Grants and other revenue	255,517	122,467	377,984	872,254
Government assistance (Note 14)	-	534,548	534,548	340,044
Restore revenue	-	2,172,473	2,172,473	2,198,756
	<u>205,307</u>	<u>2,829,488</u>	<u>3,034,795</u>	<u>3,621,568</u>
Expenses				
Advertising and promotion	-	66,342	66,342	52,614
Bank charges and interest	73,485	33,347	106,832	105,445
Computer maintenance and support	-	46,287	46,287	51,741
Conferences, meetings and training	-	29,666	29,666	15,346
HFHC fees and tithe (Note 11)	10,000	276,281	286,281	258,143
Occupancy costs (Note 14)	-	518,193	518,193	399,360
Office and insurance	6,985	65,524	72,509	51,623
Professional fees	2,632	39,124	41,756	47,685
Property costs	13,307	-	13,307	1,567
Salaries and benefits (Note 12)	103,212	1,443,342	1,546,554	1,422,793
Supplies and equipment	-	24,031	24,031	23,375
Telephone and communications	-	30,844	30,844	27,623
Vehicle expenses	-	62,604	62,604	49,293
Waste disposal	-	14,220	14,220	13,543
	<u>209,621</u>	<u>2,649,805</u>	<u>2,859,426</u>	<u>2,520,151</u>
Excess (deficiency) of revenues over expenses before other income (expense)	<u>(4,314)</u>	<u>179,683</u>	<u>175,369</u>	<u>1,101,417</u>
Other income (expense)				
Amortization	-	(110,766)	(110,766)	(87,473)
Interest income on mortgages receivable and mortgage realization (Note 4)	466,729	-	466,729	485,409
	<u>466,729</u>	<u>(110,766)</u>	<u>355,963</u>	<u>397,936</u>
Excess of revenues over expenses	<u>\$ 462,415</u>	<u>\$ 68,917</u>	<u>\$ 531,332</u>	<u>\$ 1,499,353</u>

Habitat for Humanity Niagara

Statement of Changes in Net Assets

Year ended December 31, 2021

	Housing Fund	Operating Fund		Total
		Invested in Property and Equipment	Unrestricted	
Balance (deficit), beginning of year	\$ 5,715,764	\$ 368,097	\$ (545,147)	\$ 5,538,714
Excess (deficiency) of revenues over expenses	462,415	(110,766)	179,683	531,332
Investment in fixed assets	-	144,962	(144,962)	-
Proceeds on disposal of fixed assets	-	(3,694)	3,694	-
Repayment of long-term debt	-	15,746	(15,746)	-
Balance (deficit), end of year	<u>\$ 6,178,179</u>	<u>\$ 414,345</u>	<u>\$ (522,478)</u>	<u>\$ 6,070,046</u>

Year ended December 31, 2020

	Housing Fund	Operating Fund		Total
		Invested in Property and Equipment	Unrestricted	
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	<u>\$ 5,715,764</u>	<u>\$ 368,097</u>	<u>\$ (545,147)</u>	<u>\$ 5,538,714</u>

Habitat for Humanity Niagara

Statement of Cash Flows

Year ended December 31

2021

2020

Increase in cash and cash equivalents

Operating

Excess of revenues over expenses	\$ 531,332	\$ 1,499,353
Items not affecting cash		
Amortization	110,766	87,473
Gifts in kind	(85,051)	(36,180)
Write-down of mortgages receivable to amortized cost	656,559	-
Interest income on mortgages receivable and mortgage realization	(466,729)	(485,409)
Forgivable loan income	(10,000)	(10,000)
	<u>736,877</u>	<u>1,055,237</u>
Changes in non-cash working capital items		
Accounts receivable	115,835	(115,827)
Sales taxes recoverable/payable	32,376	(54,727)
Prepaid expenses	6,154	(27,893)
Properties held for home development	157,065	(1,286,543)
Accounts payable and accrued charges	(26,924)	72,666
Deferred revenue	(88,068)	103,631
	<u>933,315</u>	<u>(253,456)</u>

Financing

Bank indebtedness	126,000	802,500
Repayment of bank loan	(48,350)	(36,243)
Proceeds from issue of long-term debt	20,000	40,000
Repayment of long-term debt	(15,746)	(120,018)
	<u>81,904</u>	<u>686,239</u>

Investing

Issuance of new mortgages receivable	(1,182,423)	-
Mortgage repayments received	673,156	676,199
Repayment of forgivable mortgage	27,565	-
Proceeds on disposal of fixed assets	3,694	-
Purchase of fixed assets	(144,962)	(53,376)
	<u>(622,970)</u>	<u>622,823</u>

Increase in cash and cash equivalents

392,249 1,055,606

Cash and cash equivalents

Beginning of year	<u>1,332,211</u>	<u>276,605</u>
End of year	<u>\$ 1,724,460</u>	<u>\$ 1,332,211</u>

Habitat for Humanity Niagara

Notes to the Financial Statements

Year ended December 31, 2021

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.

Habitat for Humanity Niagara

Notes to the Financial Statements

Year ended December 31, 2021

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 value of the future economic benefits is less than its net carrying amount. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

Habitat for Humanity Niagara

Notes to the Financial Statements

Year ended December 31, 2021

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 statement of financial position 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 excess of revenue over expenses as appropriate in the year they become known.

Significant management estimates include the determination of an interest rate on initial recognition of the mortgages receivable and the useful life of property and equipment.

3. Properties held for home development

	<u>2021</u>	<u>2020</u>
Adams Avenue, Niagara Falls	\$ 450,720	\$ 401,234
Cedar Street, Niagara Falls	286,729	137,556
David Street, Welland	-	82,883
Mary Street, Thorold	130,784	-
Mitchell Street, Port Colborne	26,555	24,929
Pilkington Street, Thorold	2,946	1,188
Plymouth & First, Welland	471,081	464,912
Ontario Road, Welland	540,581	538,088
Wellington Street, Port Colborne	-	330,620
	<u>\$ 1,909,396</u>	<u>\$ 1,981,410</u>

Habitat for Humanity Niagara

Notes to the Financial Statements

Year ended December 31, 2021

4. Mortgages receivable

	2021		2020	
	Face Value	Amortized Cost	Face Value	Amortized Cost
1st mortgages receivable	\$ 7,253,761	\$ 3,989,049	\$ 6,877,980	\$ 3,750,250
2nd and 3rd mortgages receivable (non-forgivable)	830,604	259,541	697,118	206,468
	8,084,365	4,248,590	7,575,098	3,956,718
2nd and 3rd mortgages receivable (forgivable)	516,581	-	543,118	-
Current portion of mortgages receivable	(463,268)	(228,563)	(417,564)	(221,374)
Balance, end of year	\$ 8,137,678	\$ 4,020,027	\$ 7,700,652	\$ 3,735,344

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

2022	\$ 463,268
2023	456,843
2024	436,105
2025	428,327
2026	407,165
Subsequent years	5,892,657
	\$ 8,084,365

Total mortgages receivable represent the aggregate of mortgages on 44 properties (2020: 45 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.

Habitat for Humanity Niagara

Notes to the Financial Statements

Year ended December 31, 2021

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:

	2021		
	<u>Face Value</u>	<u>Unamortized Discount</u>	<u>Amortized Cost</u>
Balance, beginning of year	<u>\$ 7,575,098</u>	<u>\$(3,618,380)</u>	<u>\$ 3,956,718</u>
Add new 1st mortgages	1,028,869	(542,892)	485,977
new 2nd & 3rd mortgages	<u>153,554</u>	<u>(113,667)</u>	<u>39,887</u>
	<u>1,182,423</u>	<u>(656,559)</u>	<u>525,864</u>
Less mortgage realization	(673,156)	439,164	(233,992)
recovery of forgivable mortgage	<u>-</u>	<u>27,565</u>	<u>27,565</u>
	<u>(673,156)</u>	<u>466,729</u>	<u>(206,427)</u>
Balance, end of year	<u>\$ 8,084,365</u>	<u>\$(3,835,775)</u>	<u>\$ 4,248,590</u>
		2020	
	<u>Face Value</u>	<u>Unamortized Discount</u>	<u>Amortized Cost</u>
Balance, beginning of year	<u>\$ 8,251,297</u>	<u>\$(4,103,789)</u>	<u>\$ 4,147,508</u>
Less mortgage realization	<u>(676,199)</u>	<u>485,409</u>	<u>(190,790)</u>
Balance, end of year	<u>\$ 7,575,098</u>	<u>\$(3,618,380)</u>	<u>\$ 3,956,718</u>

5. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	2021	2020
			<u>Net Book Value</u>	<u>Net Book Value</u>
Computers	\$ 214,808	\$ 193,488	\$ 21,320	\$ 31,451
Furniture and equipment	93,299	82,070	11,229	10,155
Leasehold improvements	884,863	605,555	279,308	332,719
Lift truck	28,125	26,164	1,961	2,801
Vehicles	<u>276,970</u>	<u>142,272</u>	<u>134,698</u>	<u>40,888</u>
	<u>\$ 1,498,065</u>	<u>\$ 1,049,549</u>	<u>\$ 448,516</u>	<u>\$ 418,014</u>

Habitat for Humanity Niagara

Notes to the Financial Statements

Year ended December 31, 2021

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 \$694,813 with the Meridian Credit Union which bear interest at prime plus 1.0%. The credit facility is secured by a general security agreement, assignment of first mortgages receivable on 31 properties which at December 31, 2021 total \$2,003,136 (Face value = \$3,543,044), 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, 2021, the operating line of credit balance was \$1,382,000 (2020: \$1,256,000).

7. Bank loan

	<u>2021</u>	<u>2020</u>
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%.	\$ 694,813	\$ 743,163
Less current portion of bank loan	<u>48,324</u>	<u>48,324</u>
Bank loan due on demand	<u>\$ 646,489</u>	<u>\$ 694,839</u>

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

Although the bank loan is due on demand, management does not believe that the demand feature will be exercised. Scheduled repayments over the next five years are as follows:

2022	\$ 48,324
2023	48,324
2024	48,324
2025	48,324
2026	48,324
Thereafter	<u>453,193</u>
	<u>\$ 694,813</u>

Habitat for Humanity Niagara Notes to the Financial Statements

Year ended December 31, 2021

8. Long-term debt	<u>2021</u>	<u>2020</u>
Ford Credit Canada, vehicle loan, payable in blended monthly installments of \$1,558, including interest at 6.89%, due September 2023.	34,171	49,917
Meridian Credit Union, Canada Emergency Business Account loan (CEBA), non-interest bearing	<u>40,000</u>	<u>30,000</u>
	<u>74,171</u>	<u>79,917</u>
Less current portion of long-term debt	<u>16,232</u>	<u>15,973</u>
	<u>\$ 57,939</u>	<u>\$ 63,944</u>

The Organization applied for and received the Canada Emergency Business Account ("CEBA") which is an interest-free \$60,000 loan to cover operating costs due to the COVID-19 pandemic. Repaying the loan balance on or before December 31, 2023 will result in a loan forgiveness of \$20,000.

As it is management's intention to repay the CEBA loan prior to December 31, 2023, the forgivable portion has been recognized as part of grants and other revenue for \$10,000 (2020: \$10,000) in the statement of operations. If the loan is not repaid by December 31, 2023, the balance of the loan will bear interest at a rate of 5% per annum beginning on January 1, 2024 and be due in full December 31, 2025.

Principal payments due in the next two years for the Ford Credit Canada loan are as follows:

2022	\$ 16,232
2023	<u>17,939</u>
	<u>\$ 34,171</u>

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:

2022	\$ 169,725
2023	189,733
2024	190,150
2025	192,233
2026	135,567
Thereafter	<u>113,804</u>
	<u>\$ 991,212</u>

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Notes to the Financial Statements

Year ended December 31, 2021

10. Contingent liability

The Organization is an affiliate of Habitat for Humanity Canada ("HFHC"). 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, including the Organization, 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 the funds have been received, an affordable home has been constructed and title passed to a partner family.

The Organization has reported revenue of \$Nil (2020: \$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, 2021, no amounts have been forgiven and the balance of the forgivable loans total \$100,000.

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. The Organization 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, 2021, the Organization has accounts receivable from HFHC of \$61,849 (2020: \$20,974) and accounts payable to HFHC of \$76,496 (2020: \$95,250).

Habitat for Humanity Niagara

Notes to the Financial Statements

Year ended December 31, 2021

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:

	<u>2021</u>	<u>2020</u>
Adams Avenue, Niagara Falls	\$ 3,981	\$ 1,554
Cedar Street, Niagara Falls	16,703	1,939
David Street, Welland	73,261	6,322
Pilkington Street, Thorold	190	354
Plymouth & First, Welland	1,901	1,155
Wellington Street, Port Colborne	<u>7,176</u>	<u>82,228</u>
Total salaries and benefits allocated	<u>\$ 103,212</u>	<u>\$ 93,552</u>

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.

Habitat for Humanity Niagara

Notes to the Financial Statements

Year ended December 31, 2021

14. Impact of COVID-19 and subsequent event

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. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

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. The Organization temporarily closed its Restore outlets from the period of April 8, 2021 to June 11, 2021 and limited operations to online sales and curbside pickup.

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 \$388,583 (2020: \$332,125) has been recorded in these financial statements. 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 \$145,965 (2020: \$7,919) has been recorded in these financial statements at year-end. The CEWS and CERS programs ended in October 2021.

Under the Canada Emergency Commercial Rent Assistance (CECRA) program, the Organization was entitled to receive rent relief from their landlord equal to 75% of the eligible rent expenses. The Organization's occupancy costs were reduced \$Nil (2020: \$109,723) under this program.

Subsequently, in early 2022, the Organization received \$40,000 that was applied for in 2021 under the Ontario Small Business Support Grant program to assist businesses impacted by COVID-19.

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.
