Financial Statements

Habitat for Humanity Canada/
Habitat pour l’humanité Canada

December 31, 2020

Contents

Grant Thornton

Independent auditor's report

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To the Members of
Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Qualified Opinion

We have audited the accompanying financial statements of Habitat for Humanity Canada/ Habitat pour l'humanité Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2020, the statements of operations, changes in fund balances, 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 possible effects of the matters 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, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donated gifts in kind, completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue and excess of revenues over expenses for the excess of revenues over expenses and assets for the years ended December 31, 2020 and 2019, and fund balances as at January 1, 2020 and 2019 and December 31, 2020 and 2019. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

In response to social distancing and safety measures enacted due to the COVID-19 pandemic, the Organization closed its facilities and implemented remote working measures for all employees. As a result, controls in place at the Organization's facilities over revenue from donations from the public could not continue during a portion of the year ended December 31, 2020, and therefore completeness of these revenues from donations are not susceptible to satisfactory audit verification. Accordingly, our verification of the donation revenue 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 donation revenue, excess of revenue over expenses, and cash flows from operations for the year ended December 31, 2020, and current assets and fund balances as at December 31, 2020.

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*

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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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained

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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

Toronto, Canada
May 15, 2021

Chartered Professional Accountants
Licensed Public Accountants

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Habitat for Humanity Canada/ Habitat pour l'humanité Canada
Statement of Financial Position

December 31	2020	2019
Assets		
Current		
Cash (Note 3)	**$ 3,074,543**	$ 3,046,822
Temporary investment (Note 4)	**2,748,441**	2,502,837
Accounts receivable (Note 5)	**2,701,740**	2,466,720
Prepaid expenses	**325,150**	172,138
	8,849,874	8,188,517
Capital assets (Note 6)	**170,460**	178,413
	$ 9,020,334	$ 8,366,930
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 3,233,400**	$ 2,819,529
Deferred contributions (Note 7)	**3,607,466**	3,917,933
	6,840,866	6,737,462
Loan Payable (Note 8)	**250,000**	-
	7,090,866	6,737,462
Fund balances		
Unrestricted	**1,929,468**	1,629,468
	$ 9,020,334	$ 8,366,930

Commitments (Note 13)

On behalf of the Board

David [signature] Director

DocuSigned by: David Hooper 0642F0694C3149E... Director

See accompanying notes to the financial statements.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada
Statement of Operations

Year ended December 31	**2020**	2019
Revenue		
Affiliation fees	**$ 4,981,572**	$ 5,655,595
Fundraising revenue		
Donations	**6,453,659**	8,133,045
Build gift-in-kind	**964,376**	2,059,500
International program revenue		
Global Village and gift-in-kind airfare	**683,379**	3,262,078
International programs	**321,577**	427,862
CMHC contribution (Note 10)	**12,318,992**	-
ReStore gift-in-kind	**6,609,751**	6,795,383
Liquidation purchase products (Note 9)	**438,888**	-
Government subsidy	**732,902**	-
Other income	**272,930**	262,529
Total revenue	**33,778,026**	26,595,992
Expenses		
Program expenses		
Affiliate support and governance	**861,815**	1,012,686
ReStore and product development	**1,190,918**	1,019,852
Global Village and international programs	**593,260**	1,630,204
Government relations and indigenous housing program	**290,060**	236,736
Marketing and communications	**1,049,287**	1,443,935
Program funds and gift-in-kind distribution		
International programs	**594,295**	2,795,814
Affiliates- other	**13,521,273**	14,798,015
Affiliates- CMHC (Note 10)	**12,318,992**	-
Total program expenses	**30,419,900**	22,937,242
Non-program expenses		
Administration	**944,273**	1,244,190
Governance	**24,389**	89,647
Fundraising	**2,089,464**	2,477,040
Total non-program expenses	**3,058,126**	3,810,877
Total expenses	**33,478,026**	26,748,119
Excess (deficiency) of revenue over expenses before discontinued operations	**300,000**	(152,127)
Discontinued operations (Note 12)	**-**	82,852
Excess (deficiency) of revenue over expenses	**$ 300,000**	$ (69,275)

See accompanying notes to the financial statements.

Habitat for Humanity Canada/ Habitat pour l’humanité Canada
Statement of Changes in Fund Balances

Year ended December 31	**2020**	2019
Fund balance beginning of year	**$ 1,629,468**	$ 1,698,743
Excess (deficiency) of revenue over expenses	**300,000**	(69,275)
Fund balance end of year	**$ 1,929,468**	$ 1,629,468

See accompanying notes to the financial statements.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada
Statement of Cash Flows

Year ended December 31	2020	2019
Operating		
Excess (deficiency) of revenue over expenses	$ 300,000	$ (69,275)
Items not affecting cash		
Amortization of capital assets	32,508	58,847
Loss on disposal of capital assets	-	194,688
	332,508	184,260
Change in non-cash working capital items		
Accounts receivable	(235,020)	(648,295)
Prepaid expenses	(153,012)	265,221
Accounts payable and accrued liabilities	413,871	212,483
Deferred contributions	(310,467)	(189,857)
	47,880	(176,188)
Financing		
Proceeds from loan	250,000	-
	250,000	-
Investing		
Net change in temporary investment	(245,604)	(1,965,434)
Purchase of capital assets	(24,555)	(32,170)
	(270,159)	(1,997,604)
Increase (decrease) in cash	27,721	(2,173,792)
Cash		
Beginning of year	3,046,822	5,220,614
End of year	$ 3,074,543	$ 3,046,822

See accompanying notes to the financial statements.

1. Nature of operations

Habitat for Humanity Canada/ Habitat pour l'humanité Canada (the "Organization") brings communities together to help families build strength, stability and independence through affordable home ownership. The Organization was incorporated in 1985 and has continued under the Canada Not-for-profit Corporations Act. It is registered by Canada Revenue Agency as a charitable Organization and is not subject to income tax.

2. Summary of significant accounting policies

Basis of accounting

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), the more significant of which are outlined below.

a) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized in revenue in the year in which the related expenses are incurred and the restriction is fulfilled. Based on the bylaws of the Organization, Habitat for Humanity Canada is required to transfer all contributions received, other than contributions restricted for International activities, to its Affiliates. As such, these contributions are restricted. The Organization has a policy of allocating 20% of these contributions to support administrative and development activities.

Pledges and tithes are reported on a cash basis due to the uncertainty of collection.

Affiliate fee revenue is recognized when received or receivable and collection is reasonably assured.

Liquidation purchase products revenue (Note 9) is recognized upon shipment of goods to the affiliate.

Government subsidy funding is recognized when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

Habitat for Humanity Canada entered into a two year joint arrangement with Habitat for Humanity Greater Toronto Area (GTA) to combine a fundraising team to collectively raise funds and share resources to advance the mission of the Habitat federation as a whole. During the year, total donations of $8,915,693 were collected with $6,151,828 allocated to the Organization and $612,058 allocated to GTA. At year end amounts owing to Affiliates and GTA are $292,185 and $319,873 respectively.

2. Summary of significant accounting policies (continued)

b) Donated goods and services

Donated goods are recorded when fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

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

c) Capital assets

Capital assets are stated at cost if purchased or estimated fair value if donated. Amortization is based on the estimated useful life of the asset and is calculated as follows:

Computer equipment	20% straight line basis
Office equipment	20% straight line basis
Vehicles	30% straight line basis
Leasehold improvements	Over the term of the lease

Amortization is prorated in the year of acquisition and no amortization is provided in the year of disposal.

Capital assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of operations. Any impairment recognized is not reversed.

d) Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best efforts and knowledge of current events and actions that the Organization may undertake. Actual results could differ from these estimates. Significant estimates in these financial statements include determination of fair value for gift-in-kind donations, allowance for doubtful accounts, and estimated useful lives of capital assets.

e) Financial instruments

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. A financial asset or liability is recognized when the Organization becomes party to contractual provisions of the instrument. The Organization accounts for the following as financial instruments:

- Cash
- Temporary investment
- Accounts receivable
- Accounts payable
- Long term debt

2. Summary of significant accounting policies (continued)

e) Financial instruments (continued)

The Organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures all of its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

f) Allocation of support expenses

Salaries and benefits expenses are allocated to various activities based on the time and efforts dedicated by staff to support those activities. Facilities and IT expenses are allocated based on estimated usage by each department, which is determined based on the percentage of employees within each department or by space usage (Note 14).

3. Cash

The Organization's bank accounts are held at one chartered bank. They earn interest at a nominal rate. Cash consists of bank balances, net of outstanding cheques and deposits.

The Organization had a revolving line of credit that bore interest at prime plus 1.0% per annum, was secured by a general security agreement. This line was extinguished during the year.

4. Temporary investment

The Organization holds guaranteed investment certificates in the amount of $2,748,441 (2019 - $2,502,837), earning interest at 0.65% to 1.80%, maturing between August 19, 2021 and December 10, 2021.

5. Accounts receivable

	2020	2019
Due from Affiliates	**$ 1,907,371**	$ 1,650,157
HST refund	**246,549**	318,712
Other	**547,820**	497,851
	$ 2,701,740	$ 2,466,720

6. Capital assets

			2020	2019
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Computer equipment	$ 174,499	$ (104,167)	**$ 70,332**	$ 66,100
Office equipment	225,605	(177,974)	**47,631**	51,136
Vehicles	22,342	(9,774)	**12,568**	17,030
Leasehold improvements	130,050	(90,121)	**39,929**	44,147
	$ 552,496	$ (382,036)	**$ 170,460**	$ 178,413

7. Deferred contributions

Deferred contributions represents externally restricted contributions for Affiliates and international programs not yet disbursed as of year end.

	2020	2019
Balance, beginning of year	**$ 3,917,933**	$ 4,107,790
Contributions received during the year		
Affiliates	**6,852,165**	7,516,685
International programs	**296,073**	2,449,651
Less: disbursements made during the year		
Affiliates	**(6,864,410)**	(7,360,379)
International programs	**(594,295)**	(2,795,814)
Balance, end of year	**$ 3,607,466**	$ 3,917,933

8. Long term debt

During the year, the Organization entered into a non-revolving, floating rate demand loan of $30,000,000 with Vancity Investment Bank ("VCIB"). The loan only requires monthly interest payments at the VCIB prime rate plus 0.5% per annum, subject to a floor rate of 2.95%. As at December 31, 2020, no amounts had been drawn upon from this facility.

During the year, the Organization entered into an operating loan agreement for $2,000,000 with VCIB bearing interest at (VCIB Prime Rate + 0.50% per annum). As at December 31, 2020, no amounts had been drawn upon from this facility.

As at December 31, 2020, the Organization was not in breach of any covenants with respect to these facilities. The investments that are pledged as collateral cannot be disposed without the consent of the bank. The Organization is required to pay interest on a monthly basis on these facilities.

Covenants imposed by the bank require total bank debt not to exceed 2 times total equity and total liabilities not to exceed 1.2 times total current tangible assets.

8. Long term debt (continued)

The Organization has provided a general security agreement providing first ranking security interest over its Account receivables.

During the year, the Organization entered into an operating loan agreement for $1,500,000 with Charities Aid Foundation which bears interest at 1% per annum, maturing November 13, 2024, with $750,000 of principal due November 13, 2023. As at December 31, 2020, $250,000 has been drawn on this facility, with interest of $1,253.

The Organization is required to pay interest on a quarterly basis to Charities Aid Foundation.

9. Liquidation purchase products

Habitat for Humanity Canada purchases products from the liquidators at less than fair market value and then subsequently transfers the purchased products to the local Habitat affiliates for selling in the ReStores or use in the construction of houses. The local Habitat affiliates are all registered charities operating as separate legal entities. During the year, the Organization spent approximately $242,000 to purchase goods from various liquidators which were transferred to the local Habitat affiliates. Habitat for Humanity Canada charges each affiliate members a nominal fee for the products shipped during the year.

10. CMHC Funding

On February 26, 2020, the Organization 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 Organization's affiliates of affordable owner-occupied housing units. Under the agreement, funding of up to $35,814,425 will be available to build approximately 416 new homes and repair and renew 105 existing units. The funding is to be made available in the form of a forgivable loan for eligible affiliate projects and is to be applied to projects commenced in the years 2019 to 2021.

The Organization has entered into separate forgivable loan agreements with each affiliate participating in the CMHC loan program.

As a forgivable loan, the amounts received are considered contributions for accounting purposes as it has been determined by the Organization that it is more likely than not that the amounts will ultimately be forgiven. In addition, as the amounts are received for a specific purpose, the amounts are only recognized as income to the extent the related expenses are incurred. For the Organization, this occurs when the funds are disbursed to the affiliates, as similarly, it has been determined that it is more likely than not that these amounts will also be forgiven.

This has resulted in the following amounts recognized during the year.

	2020
Balance, beginning of year	**$ -**
Funds received during the year	**12,318,992**
Less: disbursements made during the year	**(12,318,992)**
Remaining funds to be disbursed	**$ -**

10. CMHC Funding (continued)

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 CHMC will be forgiven, amounts will formally be forgiven over the term of the agreement or 20 years. As of December 31, 2020 no amounts have been forgiven.

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

11. Disposal of National ReStore operations

Effective January 1, 2020 the Organization sold the National ReStore operations to an affiliate, in accordance with an agreement entered into upon the creation of the National Restore. Under this agreement, the affiliate had the right to purchase the National ReStore and take control of its operations. The net gain on discontinued operations presented in the statement of operations in 2019 is $82,852.

12. Commitments

The Organization has operating leases for its Brampton and Toronto premises. The Organization also has operating leases for its equipment.

The minimum annual lease payments under these operating leases are as follows:

2021	$ 567,705
2022	537,745
2023	533,602
2024	417,814
2025 and thereafter	54,006
	$ 2,110,872

13. Allocation of support expenses

During the year ended December 31, 2020, common expenses consisting of salaries, benefits, facilities and information technology (IT) were allocated to various program areas as follows:

	Salaries and Benefits	Facilities and IT	**2020**	2019
Affiliate support and governance	$ 152,247	$ 146,207	**$ 298,454**	$ 327,188
ReStore and product development	52,335	242,212	**294,547**	308,004
Global Village and international programs	52,335	73,103	**125,438**	137,348
Government relations and indigenous housing program	14,273	18,276	**32,549**	35,649
Marketing and communications	52,335	80,929	**133,264**	145,727
Administration	38,062	52,204	**90,266**	97,755
Fundraising	114,185	169,685	**283,870**	310,332
National ReStore	-	-	**-**	224,170
	$ 475,772	$ 782,616	**$ 1,258,388**	$ 1,586,173

14. Financial instrument risk

Transactions in financial instruments may result in the Organization assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments.

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 is exposed to credit risk in the event of non-collection of accounts receivable. Management believes that the credit risk arising from non-collection of accounts receivable is minimal as the amounts are due primarily from the Organization's Affiliate members. The allowance for doubtful accounts included in accounts receivable at December 31, 2020 is $Nil (2019 - $Nil).

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization holds cash denominated in U.S. dollars of $62,485 at December 31, 2020 (2019 - $6,800). The carrying value of cash may change due to fluctuations in foreign exchange rates.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations. The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

15. Contingencies

The Organization, from time to time, is subject to various legal proceedings and claims. Management is of the view that these will not have a material adverse effect on the Organization and its results of operations.

16. Subsequent event

On December 17, 2020, the Government of Canada announced its intention to invest $20 million in the Organization to create 200 home ownership opportunities for Black families across the country. The investment will be contingent on the Organization matching it with an additional $20 million. A Letter of Intent regarding the planned investment was entered into on March 30, 2021.

17. COVID-19

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations 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.

The impact on the Organization is as follows:

Overall changes to operations

The Organization's management undertook measures to scale back operations in an effort to contain costs and manage cash flows. This includes employee terminations and temporary layoffs, cancelling or postponing in person events and conferences, and delaying investment in non-core program activities.

Global Village program

All Global Village trips previously scheduled to commence after March 1, 2020 up to December 31, 2020 was cancelled and there are no trips scheduled for the fiscal year 2021. Funds received from participants of cancelled 2020 Global Village trips as of December 31, 2020 amounted to $213,000 and were recorded in deferred contributions at year end.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remain unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.

18. Comparative figures

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