

Financial Statements

Habitat for Humanity Canada/
Habitat pour l'humanité Canada

December 31, 2024

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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, 2024, 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, 2024, 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

The Organization derives revenue from donations and donated gifts-in-kind, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from donations and donated gifts-in-kind 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 from donations and donated gifts-in-kind, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2024 and 2023, and assets as at December 31, 2024 and 2023 and fund balances as at January 1 and December 31 for both the 2024 and 2023 years. Our audit opinion on the financial statements for the year ended December 31, 2023 was modified accordingly because of the possible effects of these limitations 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 qualified opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 3 of the financial statements which describes that certain comparative information for the year ended December 31, 2023 presented in these financial statements has been restated. Our opinion is not modified in respect of this matter.

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 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.

Doane Grant Thornton LLP

Toronto, Canada
April 2, 2025

Chartered Professional Accountants
Licensed Public Accountants

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Financial Position

December 31

2024

2023

Assets

Current

Cash	\$ 4,048,071	\$ 4,590,579
Restricted cash - CMHC (Notes 12 and 13)	2,136,790	-
Investments (Note 4)	422,600	358,367
Accounts receivable (Note 5)	3,023,888	2,821,665
Loans receivable (Note 6)	6,598,826	2,499,807
Prepaid expenses	289,517	240,303
Current portion of mortgages receivable (Note 7)	23,789	22,227

16,543,481 10,532,948

Capital assets (Note 8)	56,621	66,332
Mortgages receivable (Note 7)	172,752	196,693
Properties transferred from Habitat for Humanity Wood Buffalo (Note 11)	530,800	1,454,095

\$ 17,303,654 **\$ 12,250,068**

Liabilities

Current

Accounts payable and accrued liabilities	\$ 2,045,952	\$ 2,184,096
CMHC contributions payable (Note 12)	640,000	-
Deferred contributions (Note 9)	4,385,107	4,641,729
Deferred contribution - CHMC Affordable Housing Innovation Fund (Note 13)	1,475,396	-
Loans payable (Note 10)	6,643,826	1,999,807

15,190,281 8,825,632

Loans payable (Note 10)	-	750,000
	15,190,281	9,575,632

Fund balances

Unrestricted	1,758,373	2,174,436
Crisis management fund (internally restricted)	355,000	500,000

2,113,373 2,674,436

\$ 17,303,654 **\$ 12,250,068**

Commitments and contingencies (Note 15 and 16)

On behalf of the Board

Director

Director

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Operations

Year ended December 31

2024

2023

(Note 3 -
as restated)

Revenue

Affiliation fees	\$ 6,472,978	\$ 7,063,004
Fundraising revenue		
Donations (Note 9)	9,298,850	9,941,360
Build gift-in-kind	1,418,605	1,386,818
International program revenue (Note 9)		
International programs	433,472	462,018
Global Village and gift-in-kind airfare	206,247	-
ReStore gift-in-kind	10,360,748	10,723,344
Office space and services gift-in-kind	712,768	40,000
CMHC contribution - Co-Investment and Black Families Funding Agreement (Note 12)	7,602,997	6,369,723
Liquidation purchase products (Note 14)	75,139	167,721
Other income	508,392	462,827
Total revenue	<u>37,090,196</u>	<u>36,616,815</u>

Expenses

Program expenses (Note 17)		
Affiliate support and governance	1,069,393	966,582
ReStore and product development	1,769,284	2,014,004
Global Village and international programs	211,140	81,973
Government relations and indigenous housing program	1,304,383	921,600
Marketing and communications	1,578,879	1,535,786
Program funds and gift-in-kind distribution		
International programs (Note 9)	625,991	783,104
Affiliates - other (Note 9)	18,930,664	19,936,328
Affiliates - CMHC disbursements (Note 12)	7,602,997	6,369,723
Total program expenses	<u>33,092,731</u>	<u>32,609,100</u>
Non-program expenses (Note 17)		
Administration	1,375,403	1,134,200
Governance	81,713	103,102
Fundraising	2,767,456	2,559,761
Total non-program expenses	<u>4,224,572</u>	<u>3,797,063</u>
Total expenses	<u>37,317,303</u>	<u>36,406,163</u>

(Deficiency) excess of revenue over expenses before undernoted items	(227,107)	210,652
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Loss on sale of properties and transfer of mortgages and properties from Habitat for Humanity Wood Buffalo (Note 11)	(133,956)	(99,041)
Allowance for doubtful accounts (Note 18)	(200,000)	-
CMHC contribution - Affordable Housing Innovation Fund (Note 13)	274,604	-
CMHC expenses - Affordable Housing Innovation Fund (Note 13)	(274,604)	-

(Deficiency) excess of revenue over expenses	<u>\$ (561,063)</u>	<u>\$ 111,611</u>
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Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Changes in Fund Balances

Year ended December 31

	Unrestricted	Crisis management fund (internally restricted)	2024	2023
Fund balance beginning of year	\$ 2,174,436	\$ 500,000	\$ 2,674,436	\$ 2,562,825
(Deficiency) excess of revenue over expenses	(561,063)	-	(561,063)	111,611
Fund transfers	<u>145,000</u>	<u>(145,000)</u>	<u>-</u>	<u>-</u>
Fund balance end of year	<u>\$ 1,758,373</u>	<u>\$ 355,000</u>	<u>\$ 2,113,373</u>	<u>\$ 2,674,436</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Cash Flows

Year ended December 31

2024

2023

Operating

(Deficiency) excess of revenue over expenses	\$ (561,063)	\$ 111,611
Items not affecting cash		
Amortization of capital assets	39,127	135,508
Loss on sale of properties transferred from Habitat for Humanity Wood Buffalo	133,956	-
Loss on transfer of mortgages and properties from Habitat for Humanity Wood Buffalo	-	99,041
	<u>(387,980)</u>	<u>346,160</u>

Change in non-cash working capital items

Accounts receivable	(202,223)	516,323
Prepaid expenses	(49,214)	108,938
Accounts payable and accrued liabilities	(138,144)	(991,721)
CMHC contributions payable	640,000	-
Deferred contributions	(256,622)	445,834
Deferred contribution - CMHC Affordable Housing Innovation Fund (Note 13)	<u>1,475,396</u>	<u>-</u>
	<u>1,081,213</u>	<u>425,534</u>

Investing

(Purchase) proceeds on sale of investments (net)	(64,233)	2,424,407
Loans receivable (net)	(4,099,019)	(1,518,807)
Mortgages receivable	22,379	(218,920)
Purchase of capital assets	(29,416)	(8,095)
Proceeds on sale of properties transferred from Habitat for Humanity Wood Buffalo	789,339	-
Transfer of Habitat for Humanity Wood Buffalo properties	<u>-</u>	<u>(1,553,136)</u>
	<u>(3,380,950)</u>	<u>(874,551)</u>

Financing

Loans payable (net)	<u>3,894,019</u>	<u>1,249,807</u>
Increase in cash and restricted cash - CMHC	1,594,282	800,790
Cash and restricted cash - CMHC		
Beginning of year	<u>4,590,579</u>	<u>3,789,789</u>
End of year	<u>\$ 6,184,861</u>	<u>\$ 4,590,579</u>

Cash and restricted cash - CMHC comprises:

Cash	\$ 4,048,071	\$ 4,590,579
Restricted cash - CMHC	<u>2,136,790</u>	<u>-</u>
	<u>\$ 6,184,861</u>	<u>\$ 4,590,579</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2024

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 ("CRA") 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, it is required to transfer all contributions received, other than contributions restricted for International activities, to its Affiliates. As such, all contributions are restricted. The Organization has a policy of allocating 20% of these contributions to support administrative and development activities.

Occasionally, Canada Mortgage and Housing Corporation ("CMHC") contributions related to the Co-Investments and Black Families Funds Agreement (Note 12) received and disbursed to an Affiliate by the Organization, may be returned by an Affiliate. When returned, these amounts, upon approval of CMHC, are available to be redispersed and accordingly, are recorded as restricted cash and contributions payable. When redispersed, the related restricted cash and contributions payable are reduced.

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

Affiliation fees are recognized when received or receivable and collection is reasonably assured.

Liquidation purchase products revenue (Note 14) is recognized upon shipment of goods to the affiliate.

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 as the fair value of this time cannot be reasonably estimated.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2024

2. Summary of significant accounting policies (continued)

c) Capital assets

Capital assets are stated at cost if purchased or estimated fair value if donated and fair value can be reasonably estimated. 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) Properties transferred from Habitat for Humanity Wood Buffalo

The properties transferred from Habitat for Humanity Wood Buffalo are recorded at the lower of cost and net realizable value.

e) Controlled not-for-profit organizations

Controlled not-for-profit organizations are not consolidated in the financial statements, but a summary of their financial information is disclosed in the notes to the financial statements (Note 11).

f) Fund balances

The Organization has unrestricted funds and an internally restricted fund for crisis management purposes. The crisis management fund represents amounts internally restricted by the Board of Directors for use during crisis situations as deemed necessary.

g) 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.

h) 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.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2024

2. Summary of significant accounting policies (continued)

h) Financial instruments (continued)

The Organization accounts for the following as financial instruments:

- Cash and restricted cash - CMHC
- Investments
- Accounts receivable
- Loans receivable
- Mortgages receivable
- Accounts and CMHC contributions payable
- Loans payable

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, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

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 any reduction for impairment.

When there is an indication of impairment, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in the statement of operations. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of reversal, greater than the amount that would have been the carrying amount had no impairment loss been previously recorded. The amounts of any write-downs or reversals are recognized in the statement of operations.

i) 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 17).

3. Restated comparative information

During the year, it was determined that ReStore gift-in-kind products of \$1,353,002 shipped to the affiliates were recorded in the wrong period due to a delay in the affiliates' reporting of the fair market value of the donated gifts. This resulted in an equal understatement of revenue and expenses in the prior year financial statements. There was no impact on the excess of revenue over expense for the year ended December 31, 2023 or on opening fund balances as at January 1, 2023 as a result of this error.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2024

3. Restated comparative information (continued)

The impact on the comparative balances as at December 31, 2023, is as follows:

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
<i>Statement of Operations</i>			
ReStore gift-in-kind	\$ 9,370,342	\$ 1,353,002	\$ 10,723,344
Office space and services gift-in-kind	-	40,000	40,000
Total revenue	35,223,813	1,393,002	36,616,815
Program funds and gift-in-kind distribution			
Affiliates-other	18,583,326	1,353,002	19,936,328
Total program expenses	31,256,098	1,353,002	32,609,100
Administration	1,094,200	40,000	1,134,200
Total non-program expenses	3,757,063	40,000	3,797,063
Total expenses	35,013,161	1,393,002	36,406,163

4. Investments

The investments comprise guaranteed investment certificates (GIC's) which earn interest at 3.80% (2023 - 4.25%) and cash held in US dollars.

A GIC of \$200,000 is pledged as collateral for the business credit card account. This GIC renews each year on maturity.

5. Accounts receivable

	<u>2024</u>	<u>2023</u>
Due from Affiliates	\$ 2,399,811	\$ 2,360,544
HST refund	287,110	311,891
Other	336,967	149,230
	<u>\$ 3,023,888</u>	<u>\$ 2,821,665</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2024

6. Loans receivable

The Organization has outstanding demand loans receivable of \$705,000 (2023 - \$1,250,000) from five (2023 - seven) Affiliates. The loans bear interest at 1% per annum, payable quarterly, with the balance due in October 2025. Funds must be used for the sole purpose as outlined in each loan agreement, primarily related to opening or repairing ReStore facilities. These funds were made available from the financing provided to the Organization through the Charities Aid Foundation (Note 10).

The Organization has outstanding non-revolving, floating rate demand construction loans of \$5,416,906 (2023 - \$ 449,807) from three (2023 - one) Affiliate(s). The loan(s) require monthly interest payments at the VCIB prime rate plus 0.50% per annum. These funds were made available from the financing provided to the Organization through VCIB (Note 10).

The Organization also has an outstanding demand operating loan of \$476,920 (2023 - \$800,000) from one (2023 - two) Affiliate(s). The loan(s) bear(s) interest at the VCIB prime rate plus 0.50% per annum. These funds were made available from the financing provided to the Organization through VCIB (Note 10).

Loan receivable balance by affiliate

	<u>2024</u>	<u>2023</u>
<i>Demand loans receivable</i>		
Habitat for Humanity Vancouver Island North	\$ -	\$ 141,000
Habitat for Humanity Kingston	200,000	200,000
Habitat for Humanity Greater Ottawa	195,000	390,000
Habitat for Humanity Hamilton	100,000	209,000
Habitat for Humanity Victoria	60,000	60,000
Habitat for Humanity Prince Edward Island	-	100,000
Habitat for Humanity Southeast BC	150,000	150,000
	<u>705,000</u>	<u>1,250,000</u>
<i>Demand construction loans receivable</i>		
Habitat for Humanity Greater Ottawa	1,073,953	449,807
Habitat for Humanity Greater Toronto Area	2,687,999	-
Habitat for Humanity Peterborough	1,654,954	-
	<u>5,416,906</u>	<u>449,807</u>
<i>Demand operating loans receivable</i>		
Habitat for Humanity Greater Ottawa	-	400,000
Habitat for Humanity Southeast BC	-	400,000
Habitat for Humanity Quebec	476,920	-
	<u>476,920</u>	<u>800,000</u>
Total loans receivable as at December 31	<u>\$ 6,598,826</u>	<u>\$ 2,499,807</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2024

7. Mortgages receivable

	<u>2024</u>		<u>2023</u>	
	<u>Face value</u>	<u>Amortized Cost</u>	<u>Face value</u>	<u>Amortized Cost</u>
Mortgages receivable	\$ 406,744	\$ 196,541	\$ 446,445	\$ 218,920
Less: current portion	<u>37,990</u>	<u>23,789</u>	<u>37,990</u>	<u>22,227</u>
	<u>\$ 368,754</u>	<u>\$ 172,752</u>	<u>\$ 408,455</u>	<u>\$ 196,693</u>

Estimated principal repayments on mortgages receivable at face value are as follows:

2025	\$ 37,990
2026	37,990
2027	37,980
2028	25,607
2029	8,350
Thereafter	<u>258,827</u>
	<u>\$ 406,744</u>

The mortgages are non-interest bearing, receivable in monthly instalments, and secured by a charge on specific property. This includes first mortgages of \$257,119 and forgivable second mortgages of \$149,625. Payment of second mortgages will start after first mortgages are paid in full.

8. Capital assets

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 264,834	\$ (223,984)	\$ 40,850	\$ 34,576
Office equipment	266,498	(252,481)	14,017	22,196
Vehicles	24,973	(23,219)	1,754	-
Leasehold improvements	<u>130,050</u>	<u>(130,050)</u>	<u>-</u>	<u>9,560</u>
	<u>\$ 686,355</u>	<u>\$ (629,734)</u>	<u>\$ 56,621</u>	<u>\$ 66,332</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2024

9. Deferred contributions

Deferred contributions represent externally restricted contributions for Affiliates and international programs (including the Global Village program) not yet disbursed as of year end.

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 4,641,729	\$ 4,195,895
Contributions received during the year		
Affiliates	8,639,396	9,996,195
International programs	708,406	563,715
Less: disbursements made during the year and amounts recognized as revenue		
Affiliates	(8,978,433)	(9,330,972)
International programs	(625,991)	(783,104)
Balance, end of year	<u>\$ 4,385,107</u>	<u>\$ 4,641,729</u>

10. Loans payable

	<u>2024</u>	<u>2023</u>
VCIB construction loan (\$30,000,000 demand loan bearing interest at VCIB prime rate plus 0.5% per annum, subject to a floor of 2.95%)	\$ 5,416,906	\$ 449,807
VCIB operating loan (\$2,000,000 demand loan bearing interest at VCIB prime rate plus 0.5% per annum)	476,920	800,000
Charities Aid Foundation operating loan (\$1,500,000 loan bearing interest at 1% per annum, with \$750,000 maturing on May 13, 2024 and the residual of \$750,000 due November 13, 2025.)	750,000	1,500,000
Balance, end of year	<u>6,643,826</u>	<u>2,749,807</u>
Less: current portion	<u>6,643,826</u>	<u>1,999,807</u>
Long-term portion	<u>\$ -</u>	<u>\$ 750,000</u>

Covenants imposed by VCIB require total bank debt not to exceed 2 times total equity and total liabilities not to exceed 1.2 times total current tangible assets. As at December 31, 2024, the Organization was not in breach of any covenants with respect to these facilities. The Organization has provided a general security agreement providing first ranking security interest over its account receivables. The Organization is required to pay interest on a monthly basis on these facilities.

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

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2024

11. Habitat for Humanity Wood Buffalo

During the year ended December 31, 2022, Habitat for Humanity Wood Buffalo Society's ("HFHWB") members passed a special resolution to appoint certain individuals of the Organization's senior management team as directors of HFHWB. The individuals appointed were approved by the Board of Directors of the Organization to assume this role. With the passing of this resolution, all previous Directors of HFHWB resigned and were no longer members of HFHWB, giving the Organization control of HFHWB.

All properties and mortgages of HFHWB were transferred to the Organization in 2023. These assets were transferred at their carrying amount except in cases where the carrying amount was in excess of the net realizable value of the assets transferred, in which case the assets were recorded at their impaired value. The outstanding receivable from HFHWB at the time of transfer was in settlement of the assets transferred which resulted in the Organization recording a net loss of \$99,041.

Some of the properties were sold during 2024, which resulted in the Organization recording a net loss of \$133,956.

A summary of HFHWB financial results as at December 31, 2024 is as follows:

Statement of financial position	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ -</u>	<u>\$ 125,537</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund balances	<u>-</u>	<u>125,537</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 125,537</u>
Statement of operations		
Total revenue	<u>\$ -</u>	<u>\$ 245,940</u>
Total expenses	<u>125,537</u>	<u>1,447,683</u>
(Deficiency) excess of revenue over expenses	<u>\$ (125,537)</u>	<u>\$ (1,201,743)</u>
Statement of cash flows		
Cash flows from operations	<u>\$ (8,950)</u>	<u>\$ (2,393,674)</u>
Cash flows from investing activities	<u>\$ -</u>	<u>\$ 2,390,468</u>
Cash flows from financing activities	<u>\$ -</u>	<u>\$ (60,000)</u>

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12. CMHC Funding - Co-Investment and Black Families Funding Agreements

On February 26, 2020, the Organization entered into an agreement with 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. This original agreement was renewed in September 2022 and amended in December 2024. Under the amended agreement, funding of up to \$45,164,425 will be available for 604 homes. 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 2024.

On December 9, 2021, the Organization entered into an additional agreement with CMHC under the National Housing Co-Investment Fund to assist with the financing of 200 new homes for Black Canadians. Under the agreement, funding of up to \$20,000,000 will be available in the form of a forgivable loan for eligible affiliate projects commenced in the years 2021 to 2025.

The Organization has entered into separate forgivable loan agreements with each affiliate participating in these programs.

As forgivable loans, 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 it has been determined that it is more likely than not that these amounts will also be forgiven.

This has resulted in the following activity during the year.

	<u>2024</u>	<u>2023</u>
Balance, beginning of the year	\$ -	\$ -
Funds received during the year	7,602,997	6,369,723
Less: disbursements made during the year and amounts recognized as revenue	(7,602,997)	(6,369,723)
Less: disbursements returned during the year	<u>640,000</u>	<u>-</u>
Remaining funds to be disbursed	<u>\$ 640,000</u>	<u>\$ -</u>

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, 2024, funding of \$1,324,037 (2023 - \$882,692) has been formally forgiven by CMHC.

The forgivable loan agreements stipulate 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.

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13. CMHC Funding - Affordable Housing Innovation Fund

On April 30, 2024, the Organization entered into an agreement with CMHC under the Affordable Housing Innovation Fund to provide funding to help increase the supply of affordable and attainable housing across Canada. Under the agreement, funding of up to \$20,000,000 will be available to the Organization to create a national affordable housing development corporation. During the year, CMHC provided the Organization a forgivable loan of \$1,750,000 for the first phase of the project. Terms for the remaining \$18,250,000 in funding are yet to be determined.

As a forgivable loan, the amount received is considered a contribution for accounting purposes as it has been determined by the Organization that it is more likely than not that the amount 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 used for the intended purpose.

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.

This has resulted in the following activity during the year.

	<u>2024</u>	<u>2023</u>
Balance, beginning of the year	\$ -	\$ -
Funds received during the year	1,750,000	-
Less: expenses incurred and revenue recognized during the year	<u>(274,604)</u>	<u>-</u>
Balance, end of year	<u>\$ 1,475,396</u>	<u>\$ -</u>

14. Liquidation purchase products

The Organization purchases products from liquidators at less than fair market value and then subsequently transfers the purchased products to Affiliates for selling in ReStores or use in the construction of houses. The Affiliates are all registered charities operating as separate legal entities. During the year, the Organization transferred to Affiliates product purchased for \$113,717 (2023 - \$673,292) for which the Organization received affiliate fees of \$75,139 (2023 - \$167,721). The Organization charges each Affiliate a nominal fee for products shipped during the year.

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15. Commitments

The Organization has operating leases for its Mississauga and Toronto premises. The Organization also has operating leases for its equipment. The minimum annual lease payments, excluding taxes, under these operating leases are as follows:

2025	\$ 325,701
2026	<u>57,934</u>
	<u>\$ 383,635</u>

16. 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.

17. Allocation of support expenses

During the year ended December 31, 2024, 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	2024	2023
Affiliate support and governance	\$ 48,304	\$ 138,484	\$ 186,788	\$ 162,018
ReStore and product development	96,608	483,088	579,696	635,681
Government relations and indigenous housing program	64,405	182,434	246,839	66,000
Marketing and communications	56,354	160,456	216,810	187,697
Administration	40,253	234,692	274,945	124,948
Fundraising	<u>96,608</u>	<u>276,956</u>	<u>373,564</u>	<u>323,327</u>
	<u>\$ 402,532</u>	<u>\$ 1,476,110</u>	<u>\$ 1,878,642</u>	<u>\$ 1,499,671</u>

18. 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.

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18. Financial instrument risk (continued)

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, loans and mortgages receivable. Management believes that the credit risk arising from non-collection of accounts and loans 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, 2024 is \$200,000 (2023 - \$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 \$139,951 (2023 - \$111,421). 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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in the market interest rate. The Organization is exposed to interest rate on its loans and mortgages receivable and its loans payable.

19. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.