



Financial Statements

Habitat for Humanity Canada/
Habitat pour l'humanité Canada

December 31, 2023



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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, 2023, 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, 2023, 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 donated gifts in kind, completeness of which is not susceptible to satisfactory audit verification.

Also, as a result of remote working measures due to COVID-19, the Organization had to suspend certain controls over its donation receipting process until early 2023. As a result, the completeness of revenue from donations was not susceptible to satisfactory audit verification for a portion of the year ended December 31, 2023, and for the entirety of the year ended December 31, 2022.

Accordingly, our verification of revenue from all donated gifts in kind and 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 revenue from donated gifts in kind and donation revenue, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2023 and 2022, and assets as at December 31, 2023 and 2022 and fund balances as at January 1, 2023 and December 31, 2023 and 2022.

Our audit opinion on the financial statements for the year ended December 31, 2022 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.

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.

Grant Thornton LLP

Toronto, Canada
April 3, 2024

Chartered Professional Accountants
Licensed Public Accountants

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Financial Position

December 31

2023

2022

Assets

Current

Cash (Note 3)	\$ 4,590,579	\$ 3,789,789
Investments (Note 4)	358,367	2,782,774
Accounts receivable (Note 5)	2,821,665	3,337,988
Loans receivable (Note 6)	2,499,807	981,000
Prepaid expenses	240,303	349,241
Current portion of mortgages receivable (Notes 7 and 11)	<u>22,227</u>	<u>-</u>

10,532,948 11,240,792

Capital assets (Note 8)	66,332	193,745
Mortgages receivable (Notes 7 and 11)	196,693	-
Properties transferred from Habitat for Humanity Wood Buffalo (Note 11)	<u>1,454,095</u>	<u>-</u>

\$ 12,250,068 \$ 11,434,537

Liabilities

Current

Accounts payable and accrued liabilities	\$ 2,184,096	\$ 3,175,817
Deferred contributions (Note 9)	4,641,729	4,195,895
Loans payable (Note 10)	<u>1,999,807</u>	<u>-</u>

8,825,632 7,371,712

Loans payable (Note 10) 750,000 1,500,000

9,575,632 8,871,712

Fund balances

Unrestricted	2,174,436	2,062,825
Crisis management fund (internally restricted)	<u>500,000</u>	<u>500,000</u>

2,674,436 2,562,825

\$ 12,250,068 \$ 11,434,537

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

2023

2022

Revenue

Affiliation fees	\$ 6,772,349	\$ 6,268,431
Fundraising revenue		
Donations (Note 12)	10,036,718	9,849,212
Build gift-in-kind	1,386,818	1,398,884
International program revenue		
International programs	462,018	291,148
Global Village and gift-in-kind airfare	-	174,660
ReStore gift-in-kind	9,370,342	8,079,373
CMHC contribution (Note 13)	6,369,723	11,052,439
Liquidation purchase products (Note 14)	167,721	467,694
Other income	658,124	349,202

Total revenue	<u>35,223,813</u>	<u>37,931,043</u>
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Expenses

Program expenses (Note 17)		
Affiliate support and governance	966,582	1,122,542
ReStore and product development	2,014,004	2,165,947
Global Village and international programs	81,973	196,232
Government relations and indigenous housing program	921,600	511,996
Marketing and communications	1,535,786	1,477,278
Program funds and gift-in-kind distribution		
International programs (Note 9)	783,104	635,493
Affiliates - other (Note 9)	18,583,326	17,253,760
Affiliates - CMHC disbursements (Note 13)	6,369,723	11,052,439

Total program expenses	<u>31,256,098</u>	<u>34,415,687</u>
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Non-program expenses (Note 17)

Administration	1,094,200	1,172,932
Governance	103,102	55,369
Fundraising	2,559,761	2,453,698

Total non-program expenses	<u>3,757,063</u>	<u>3,681,999</u>
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Total expenses	<u>35,013,161</u>	<u>38,097,686</u>
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Excess (deficiency) of revenue over expenses before transfer of mortgages and properties from Habitat for Humanity Wood Buffalo	210,652	(166,643)
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Loss on transfer of mortgages and properties from Habitat for Humanity Wood Buffalo (Note 11)	(99,041)	-
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Excess (deficiency) of revenue over expenses	<u>\$ 111,611</u>	<u>\$ (166,643)</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)	2023	2022
Fund balance beginning of year	\$ 2,062,825	\$ 500,000	\$ 2,562,825	\$ 2,729,468
Excess (deficiency) of revenue over expenses	<u>111,611</u>	<u>-</u>	<u>111,611</u>	<u>(166,643)</u>
Fund balance end of year	<u>\$ 2,174,436</u>	<u>\$ 500,000</u>	<u>\$ 2,674,436</u>	<u>\$ 2,562,825</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Cash Flows

Year ended December 31

2023

2022

Operating

Excess (deficiency) of revenue over expenses	\$ 111,611	\$ (166,643)
Items not affecting cash		
Amortization of capital assets	<u>135,508</u>	<u>41,935</u>
	247,119	(124,708)

Change in non-cash working capital items

Accounts receivable	516,323	390,182
Prepaid expenses	108,938	187,039
Accounts payable and accrued liabilities	(991,721)	(564,577)
Deferred contributions	<u>445,834</u>	<u>(14,040)</u>
	<u>326,493</u>	<u>(126,104)</u>

Financing

Loans payable (net)	<u>1,249,807</u>	<u>(3,658,319)</u>
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Investing

Proceeds on sale of investments (net)	2,424,407	447,602
Loans receivable (net)	(1,518,807)	3,927,319
Mortgage receivable	(218,920)	-
Purchase of capital assets	(8,095)	(43,361)
Transfer of Wood Buffalo properties	<u>(1,454,095)</u>	<u>-</u>
	<u>(775,510)</u>	<u>4,331,560</u>

Increase in cash	800,790	547,137
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Cash

Beginning of year	<u>3,789,789</u>	<u>3,242,652</u>
End of year	<u>\$ 4,590,579</u>	<u>\$ 3,789,789</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2023

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, 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.

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.

Government subsidies are recognized when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

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.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2023

2. Summary of significant accounting policies (continued)

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) 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, 2023

2. Summary of significant accounting policies (continued)

h) Financial instruments (continued)

The Organization accounts for the following as financial instruments:

- Cash
- Investments
- Accounts receivable
- Loans receivable
- Mortgages receivable
- Accounts 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. Cash

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

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2023

4. Investments

The investments comprise guaranteed investment certificates (GIC's) which earn interest at 4.25% (2022 – 2.90% to 3.45%) and cash held in US dollars.

A GIC in the amount of \$209,221, is pledged as collateral for the business credit card account with CIBC. This GIC renews each year on maturity.

5. Accounts receivable

	<u>2023</u>	<u>2022</u>
Due from Affiliates	\$ 2,360,544	\$ 2,661,761
HST refund	311,891	320,112
Other	<u>149,230</u>	<u>356,115</u>
	<u>\$ 2,821,665</u>	<u>\$ 3,337,988</u>

6. Loans receivable

The Organization provided demand loans of \$1,250,000 (2022 - \$981,000) to seven (2022 – five) Affiliates. The loans bear interest at 1% per annum, payable quarterly, with 50% of the balance due on May 13, 2024 with the residual due on November 13, 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 made available to the Organization through the Charities Aid Foundation (Note 10).

The Organization provided a non-revolving, floating rate demand construction loan of \$449,807 (2022 - \$ Nil) to an Affiliate. The loan requires monthly interest payments at the VCIB prime rate plus 0.50% per annum, subject to a floor rate of 7.20%. The Organization also provided demand operating loans of \$800,000 (2022 - \$ Nil) to two Affiliates. The loans bear interest at the VCIB Prime Rate plus 0.50% per annum. These funds were made available from the financing available to the Organization through VCIB (Note 10).

7. Mortgages receivable

	<u>2023</u>		<u>2022</u>	
	<u>Face value</u>	<u>Amortized Cost</u>	<u>Face value</u>	<u>Amortized Cost</u>
Mortgages receivable	\$ 446,445	\$ 218,920	\$ -	\$ -
Less: current portion	<u>37,990</u>	<u>22,227</u>	<u>-</u>	<u>-</u>
	<u>\$ 408,455</u>	<u>\$ 196,693</u>	<u>\$ -</u>	<u>\$ -</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2023

7. Mortgages receivable (continued)

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

2024	\$ 37,990
2025	37,990
2026	37,990
2027	37,990
2028	25,607
Thereafter	<u>268,878</u>
	<u>\$ 446,445</u>

The mortgages are non-interest bearing and are secured by a charge on specific property, receivable in monthly instalments. This includes first mortgages of \$296,820 and second mortgages of \$149,625. Both mortgages are unforgivable and to be paid in full. Payment of second mortgages will start after first mortgages are fully paid off.

8. Capital assets

			<u>2023</u>	<u>2022</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 238,048	\$ (203,473)	\$ 34,576	\$ 90,660
Office equipment	266,498	(244,302)	22,196	64,089
Vehicles	22,342	(22,342)	-	6,493
Leasehold improvements	<u>130,050</u>	<u>(120,491)</u>	<u>9,560</u>	<u>32,503</u>
	<u>\$ 656,938</u>	<u>\$ (590,607)</u>	<u>\$ 66,332</u>	<u>\$ 193,745</u>

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>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 4,195,895	\$ 4,209,935
Contributions received during the year		
Affiliates	9,996,195	9,563,228
International programs	563,715	614,833
Less: disbursements made during the year		
Affiliates	(9,330,972)	(9,286,714)
International programs	(783,104)	(635,493)
Global Village	-	(269,894)
Balance, end of year	<u>\$ 4,641,729</u>	<u>\$ 4,195,895</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2023

10. Loans payable

	<u>2023</u>	<u>2022</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%)	\$ 449,807	\$ -
VCIB operating loan (\$2,000,000 demand loan bearing interest at VCIB prime rate plus 0.5% per annum)	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.)	1,500,000	1,500,000
Balance, end of year	<u>2,749,807</u>	1,500,000
Current portion	<u>1,999,807</u>	-
Long-term portion	<u>\$ 750,000</u>	<u>\$ 1,500,000</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, 2023, 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 investments that are pledged as collateral (Note 4) cannot be disposed without the consent of the bank. 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.

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 during the year. 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.

In addition, the Organization decided to honour HFHWB's commitment of two partially finished homes for wildfire affected families and a partially built home for a Habitat family, whose completions were financed by the Organization. These costs have been reflected in the total cost of the properties.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2023

11. Habitat for Humanity Wood Buffalo (continued)

The new Board is also working with CRA to reinstate HFHWB's charitable status with CRA.

A summary of HFHWB financial results as at December 31, 2023 is as follows:

Statement of financial position	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 125,537</u>	<u>\$ 2,552,158</u>
Total liabilities	<u>\$ -</u>	<u>\$ 1,224,878</u>
Fund balances	<u>125,537</u>	<u>1,327,280</u>
Total liabilities and fund balances	<u>\$ 125,537</u>	<u>\$ 2,552,158</u>
Statement of operations		
Total revenue	<u>\$ 245,940</u>	<u>\$ 218,293</u>
Total expenses	<u>1,447,683</u>	<u>81,182</u>
(Deficiency) excess of revenue over expenses	<u>\$ (1,201,743)</u>	<u>\$ 137,111</u>
Statement of cash flows		
Cash flows from operations	<u>\$ (2,393,674)</u>	<u>\$ 856,095</u>
Cash flows from investing activities	<u>\$ 2,390,468</u>	<u>\$ (675,580)</u>
Cash flows from financing activities	<u>\$ (60,000)</u>	<u>\$ (118,027)</u>

12. Joint arrangement

In 2020, the Organization 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. The agreement ended in 2022. During the current year, the Organization shared 3 staff positions and related expenses between the two organizations.

13. 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.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2023

13. CMHC Funding (continued)

On September 6, 2022, the Organization renewed this agreement under the National Housing Co-Investment Fund. Under the renewed agreement, funding of up to \$60,814,425 (an additional \$25,000,000) will be available to build approximately 917 new homes (an additional 500 new homes) across Canada. 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.

Black Families Funding

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 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 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.

	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ -	\$ -
Funds received during the year	6,369,723	11,052,439
Less: disbursements made during the year	<u>(6,369,723)</u>	<u>(11,052,439)</u>
Remaining funds to be disbursed	<u>\$ -</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, 2023 funding of \$882,692 has 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.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2023

14. Liquidation purchase products

The Organization 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 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 purchased approximately \$170,000 (2022 - \$575,000) related to this program, the products of which were subsequently transferred to Affiliates. Habitat for Humanity Canada charges each Affiliate a nominal fee for products shipped during the year.

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 under these operating leases are as follows:

2024	\$ 411,945
2025	325,701
2026	<u>57,934</u>
	<u>\$ 795,580</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, 2023, 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	<u>2023</u>	<u>2022</u>
Affiliate support and governance	\$ 43,413	\$ 118,605	\$ 162,018	\$ 169,591
ReStore and product development	54,266	581,415	635,681	589,958
Government relations and indigenous housing program	39,795	26,205	66,000	79,170
Marketing and communications	54,266	133,431	187,697	198,321
Administration	54,266	70,682	124,948	140,256
Fundraising	<u>115,768</u>	<u>207,559</u>	<u>323,327</u>	<u>352,014</u>
	<u>\$ 361,774</u>	<u>\$ 1,137,897</u>	<u>\$ 1,499,671</u>	<u>\$ 1,529,310</u>

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Notes to Financial Statements

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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.

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, 2023 is \$Nil (2022 - \$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 \$111,421 (2022 - \$9,196). 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 receivable and payable, and its mortgages receivable.