

Financial Statements

Habitat for Humanity Canada/
Habitat pour l'humanité Canada

December 31, 2021

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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, 2021, 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, 2021, 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 the excess of revenues over expenses for the years ended December 31, 2021 and 2020, assets as at December 31, 2021 and 2020, and fund balances as at January 1, 2021 and 2020 and December 31, 2021 and 2020. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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, 2021 and 2020, and therefore completeness of revenues from donations were 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, 2021 and 2020, and current assets as at December 31, 2021 and 2020 and fund balances as at January 1, 2021 and December 31, 2021 and 2020. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

Toronto, Canada
April 6, 2022



Chartered Professional Accountants
Licensed Public Accountants

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Financial Position

December 31

2021

2020

Assets

Current

Cash (Note 3)	\$ 3,242,652	\$ 3,074,543
Investments (Note 4)	3,230,376	2,748,441
Accounts receivable (Note 5)	3,728,170	2,701,740
Loan receivable (Note 6)	4,908,319	-
Prepaid expenses	<u>536,280</u>	<u>325,150</u>
	15,645,797	8,849,874
Capital assets (Note 7)	<u>192,319</u>	<u>170,460</u>
	<u>\$ 15,838,116</u>	<u>\$ 9,020,334</u>

Liabilities

Current

Accounts payable and accrued liabilities	\$ 3,740,394	\$ 3,233,400
Deferred contributions (Note 8)	4,209,935	3,607,466
Loan payable (Note 9)	<u>4,908,319</u>	<u>-</u>
	12,858,648	6,840,866
Loan payable (Note 9)	<u>250,000</u>	<u>250,000</u>
	<u>13,108,648</u>	<u>7,090,866</u>

Fund balances

Unrestricted	2,229,468	1,929,468
Crisis management fund (internally restricted)	<u>500,000</u>	<u>-</u>
	<u>2,729,468</u>	<u>1,929,468</u>
	<u>\$ 15,838,116</u>	<u>\$ 9,020,334</u>

Commitments (Note 14)

On behalf of the Board

_____ Director

_____ Director

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Operations

Year ended December 31

2021

2020

Revenue

Affiliation fees	\$ 5,668,171	\$ 4,981,572
Fundraising revenue		
Donations (Note 10)	8,814,197	6,453,659
Build gift-in-kind	1,345,582	964,376
International program revenue		
International programs	609,910	321,577
Global Village and gift-in-kind airfare	5,548	683,379
ReStore gift-in-kind	7,742,035	6,609,751
CMHC contribution (Note 11)	6,457,467	12,318,992
Liquidation purchase products (Note 12)	371,600	438,888
Other income (Note 13)	753,805	272,930
Government subsidy	<u>727,962</u>	<u>732,902</u>
Total revenue	<u>32,496,277</u>	<u>33,778,026</u>

Expenses

Program expenses		
Affiliate support and governance	1,026,554	861,815
ReStore and product development	1,611,215	1,190,918
Global Village and international programs	88,172	593,260
Government relations and indigenous housing program	385,092	290,060
Marketing and communications	1,077,917	1,049,287
Program funds and gift-in-kind distribution		
International programs	761,166	594,295
Affiliates - other	16,180,079	12,732,880
Affiliates - CMHC disbursements (Note 11)	<u>6,457,467</u>	<u>12,318,992</u>
Total program expenses	<u>27,587,662</u>	<u>29,631,507</u>
Non-program expenses		
Administration	947,065	944,273
Governance	24,783	24,389
Fundraising	<u>2,331,111</u>	<u>2,089,464</u>
Total non-program expenses	<u>3,302,959</u>	<u>3,058,126</u>
Total expenses	<u>30,890,621</u>	<u>32,689,633</u>
Excess of revenue over expenses before distribution	1,605,656	1,088,393
Distribution of surplus to affiliates as per bylaws (Note 13)	<u>805,656</u>	<u>788,393</u>
Excess of revenue over expenses	<u>\$ 800,000</u>	<u>\$ 300,000</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Changes in Fund Balances

Year ended December 31

	Unrestricted funds	Crisis management fund (internally restricted)	2021	2020
Fund balance beginning of year	\$ 1,929,468	\$ -	\$ 1,929,468	\$ 1,629,468
Transfer between funds (Notes 2(d) and 13)	(500,000)	500,000	-	-
Excess of revenue over expenses	<u>800,000</u>	<u>-</u>	<u>800,000</u>	<u>300,000</u>
Fund balance end of year	<u>\$ 2,229,468</u>	<u>\$ 500,000</u>	<u>\$ 2,729,468</u>	<u>\$ 1,929,468</u>

See accompanying notes to the financial statements.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Cash Flows

Year ended December 31

2021

2020

Operating

Excess of revenue over expenses	\$ 800,000	\$ 300,000
Items not affecting cash		
Amortization of capital assets	<u>31,128</u>	<u>32,508</u>
	831,128	332,508

Change in non-cash working capital items

Accounts receivable	(1,026,430)	(235,020)
Prepaid expenses	(211,130)	(153,012)
Accounts payable and accrued liabilities	506,994	413,871
Deferred contributions	<u>602,469</u>	<u>(310,467)</u>
	703,031	47,880

Financing

Proceeds from loan	<u>4,908,319</u>	<u>250,000</u>
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Investing

Loan receivable	(4,908,319)	-
Purchase of investments (net)	(481,935)	(245,604)
Purchase of capital assets	<u>(52,987)</u>	<u>(24,555)</u>
	(5,443,241)	(270,159)

Increase in cash	168,109	27,721
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Cash

Beginning of year	<u>3,074,543</u>	<u>3,046,822</u>
End of year	<u>\$ 3,242,652</u>	<u>\$ 3,074,543</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2021

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 12) 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.

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, 2021

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) Funds

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 deemed necessary.

e) 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.

f) 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
- Investments
- Accounts receivable
- Loan receivable
- Accounts payable
- Loan payable

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2021

2. Summary of significant accounting policies (continued)

f) 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.

g) 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 15).

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.

4. Investments

The Organization holds guaranteed investment certificates in the amount of \$3,230,376 (2020 - \$2,748,441), earning interest at 0.45% to 1.10%, maturing between May 25, 2022 and August 19, 2022.

5. Accounts receivable

	<u>2021</u>	<u>2020</u>
Due from Affiliates	\$ 2,729,427	\$ 1,907,371
HST refund	314,605	246,549
Other	<u>684,138</u>	<u>547,820</u>
	<u>\$ 3,728,170</u>	<u>\$ 2,701,740</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2021

6. Loan receivable

During the year, the Organization provided a non-revolving, floating rate demand construction loan of \$4,659,319 to an Affiliate. The loan requires monthly interest payments at the Vancity Investment Bank ("VCIB") prime rate plus 0.5% per annum, subject to a floor rate of 2.95%.

During the year, the Organization also provided a demand operating loan of \$249,000 to an Affiliate. The loan bears interest at the VCIB Prime Rate plus 0.50% per annum.

Funds are made available through the debt agreements signed with VCIB (Note 9).

7. Capital assets

			<u>2021</u>	<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 213,286	\$ (119,251)	\$ 94,035	\$ 70,332
Office equipment	239,805	(186,911)	52,894	47,631
Vehicles	22,342	(13,066)	9,276	12,568
Leasehold improvements	<u>130,050</u>	<u>(93,936)</u>	<u>36,114</u>	<u>39,929</u>
	<u>\$ 605,483</u>	<u>\$ (413,164)</u>	<u>\$ 192,319</u>	<u>\$ 170,460</u>

8. Deferred contributions

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

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 3,607,466	\$ 3,917,933
Contributions received during the year		
Affiliates	9,154,931	6,852,165
International programs	742,470	296,073
Less: disbursements made during the year		
Affiliates	(8,533,766)	(6,864,410)
International programs	<u>(761,166)</u>	<u>(594,295)</u>
Balance, end of year	<u>\$ 4,209,935</u>	<u>\$ 3,607,466</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2021

9. Loan payable

	<u>2021</u>	<u>2020</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%)	\$ 4,659,319	\$ -
VCIB operating loan (\$2,000,000 demand loan bearing interest at VCIB prime rate plus 0.5% per annum)	249,000	-
Charities Aid Foundation operating loan (\$1,500,000 loan bearing interest at 1% per annum, maturing November 13, 2025 with \$750,00 of principal due May 13, 2025. Interest paid as at December 31, 2021 is \$2,494)	250,000	250,000
Balance, end of year	<u>5,158,319</u>	250,000
Current portion	<u>4,908,319</u>	-
Long-term portion	<u>\$ 250,000</u>	<u>\$ 250,000</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, 2021, 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 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.

10. Joint arrangement

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 \$11,080,367 (2020 - \$8,915,693) were collected and total expenses of \$2,716,547 (2020 - \$2,644,708) were incurred with a net amount of \$5,771,035 allocated to the Organization (2020 - \$4,326,979) and \$2,592,784 allocated to GTA (2020 - \$1,944,006).

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2021

11. 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 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>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ -	\$ -
Funds received during the year	6,457,467	12,318,992
Less: disbursements made during the year	<u>(6,457,467)</u>	<u>(12,318,992)</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, 2021 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.

On December 9, 2021 the Organization entered into a \$20 million funding agreement with CMHC to create 200 home ownership opportunities for Black families across the country. At year end, no amounts had been drawn on this facility. The Organization is required to make a draw by March 31, 2022.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2021

12. 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 \$257,000 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.

13. Distribution to affiliates

As per the Organization's by-laws, any annual surplus in excess of \$300,000 is required to be distributed to the Organization's affiliates. In 2020, the Organization had a surplus of \$1,088,393, which resulted in an accrued distribution of \$788,393.

In August 2021, the Organization's Board approved and recommended to the federation, the creation of an internally restricted crisis management fund of \$500,000, which was to be funded from the 2020 surplus that was to be distributed to the affiliates. This recommendation was approved by the federation at its annual general meeting held in November 2021.

This resulted in a pay-out to the affiliates of \$288,393 and the recognition of other revenue of \$500,000 for the Organization in 2021 (for a total excess of revenue over expenses of \$800,000 for 2021). The other revenue of \$500,000 was transferred to the internally restricted crisis management fund in the statement of changes in fund balances.

14. Commitments

The Organization has operating leases for its Brampton, 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:

2022	\$ 537,745
2023	533,602
2024	417,814
2025	<u>54,006</u>
	\$ <u>1,543,167</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2021

15. Allocation of support expenses

During the year ended December 31, 2021, 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>2021</u>	<u>2020</u>
Affiliate support and governance	\$ 38,594	\$ 69,382	\$ 107,976	\$ 298,454
ReStore and product development	69,465	420,092	489,557	294,547
Global Village and international programs	-	-	-	125,438
Government relations and indigenous housing program	19,296	28,301	47,597	32,549
Marketing and communications	69,465	113,386	182,851	133,264
Administration	46,310	75,590	121,900	90,266
Fundraising	142,790	242,655	385,445	283,870
National ReStore	-	-	-	224,169
	<u>\$ 385,920</u>	<u>\$ 949,406</u>	<u>\$ 1,335,326</u>	<u>\$ 1,482,557</u>

16. 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, 2021 is \$Nil (2020 - \$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 \$10,576 at December 31, 2021 (2020 - \$62,485). 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.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2021

16. Financial instrument risk (continued)

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. 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 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 for fiscal year 2021 were cancelled. Funds received from participants of cancelled 2020 and 2021 Global Village trips as of December 31, 2021 amounted to \$211,000 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.