



Financial Statements

Habitat for Humanity Canada/
Habitat pour l'humanité Canada

December 31, 2022



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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, 2022, 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, 2022, 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, 2022 and 2021, assets as at December 31, 2022 and 2021, and fund balances as at January 1, 2022 and 2021 and December 31, 2022 and 2021. Our audit opinion on the financial statements for the year ended December 31, 2021 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 years ended December 31, 2022 and 2021, 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 years ended December 31, 2022 and 2021, and assets as at December 31, 2022 and 2021 and fund balances as at January 1, 2022 and December 31, 2022 and 2021. Our audit opinion on the financial statements for the year ended December 31, 2021 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.

Grant Thornton LLP

Toronto, Canada
April 5, 2023

Chartered Professional Accountants
Licensed Public Accountants

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Financial Position

December 31

2022

2021

Assets

Current

Cash (Note 3)	\$ 3,789,789	\$ 3,242,652
Investments (Note 4)	2,782,774	3,230,376
Accounts receivable (Note 5)	3,337,988	3,728,170
Loan receivable (Note 6)	981,000	4,908,319
Prepaid expenses	<u>349,241</u>	<u>536,280</u>
	11,240,792	15,645,797
Capital assets (Note 7)	<u>193,745</u>	<u>192,319</u>
	<u>\$ 11,434,537</u>	<u>\$ 15,838,116</u>

Liabilities

Current

Accounts payable and accrued liabilities	\$ 3,175,817	\$ 3,740,394
Deferred contributions (Note 8)	4,195,895	4,209,935
Loan payable (Note 9)	<u>-</u>	<u>4,908,319</u>
	7,371,712	12,858,648
Loan payable (Note 9)	<u>1,500,000</u>	<u>250,000</u>
	<u>8,871,712</u>	<u>13,108,648</u>
Fund balances		
Unrestricted	2,062,825	2,229,468
Crisis management fund (internally restricted)	<u>500,000</u>	<u>500,000</u>
	<u>2,562,825</u>	<u>2,729,468</u>
	<u>\$ 11,434,537</u>	<u>\$ 15,838,116</u>

Commitments (Note 15)

On behalf of the Board

_____ Director

_____ Director

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Statement of Operations

Year ended December 31

2022

2021

Revenue

Affiliation fees	\$ 6,268,431	\$ 5,668,171
Fundraising revenue		
Donations (Note 11)	9,849,212	8,814,197
Build gift-in-kind	1,398,884	1,345,582
International program revenue		
International programs	291,148	609,910
Global Village and gift-in-kind airfare	174,660	5,548
ReStore gift-in-kind	8,079,373	7,742,035
CMHC contribution (Note 12)	11,052,439	6,457,467
Liquidation purchase products (Note 13)	467,694	371,600
Other income (Note 14)	349,202	753,805
Government subsidy	-	727,962
Total revenue	<u>37,931,043</u>	<u>32,496,277</u>

Expenses

Program expenses (Note 16)		
Affiliate support and governance	1,122,542	1,026,554
ReStore and product development	2,165,947	1,611,215
Global Village and international programs	196,232	88,172
Government relations and indigenous housing program	511,996	385,092
Marketing and communications	1,477,278	1,077,917
Program funds and gift-in-kind distribution		
International programs (Note 8)	635,493	761,166
Affiliates - other (Note 8)	17,253,760	16,180,079
Affiliates - CMHC disbursements (Note 12)	11,052,439	6,457,467
Total program expenses	<u>34,415,687</u>	<u>27,587,662</u>
Non-program expenses (Note 16)		
Administration	1,172,932	947,065
Governance	55,369	24,783
Fundraising	2,453,698	2,331,111
Total non-program expenses	<u>3,681,999</u>	<u>3,302,959</u>
Total expenses	<u>38,097,686</u>	<u>30,890,621</u>
(Deficiency) excess of revenue over expenses before distribution	(166,643)	1,605,656
Distribution of surplus to affiliates as per bylaws (Note 14)	-	805,656
(Deficiency) excess of revenue over expenses	<u>\$ (166,643)</u>	<u>\$ 800,000</u>

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)	2022	2021
Fund balance beginning of year	\$ 2,229,468	\$ 500,000	\$ 2,729,468	\$ 1,929,468
(Deficiency) excess of revenue over expenses	<u>(166,643)</u>	<u>-</u>	<u>(166,643)</u>	<u>800,000</u>
Fund balance end of year	<u>\$ 2,062,825</u>	<u>\$ 500,000</u>	<u>\$ 2,562,825</u>	<u>\$ 2,729,468</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

2022

2021

Operating

(Deficiency) excess of revenue over expenses	\$ (166,643)	\$ 800,000
Items not affecting cash		
Amortization of capital assets	<u>41,935</u>	<u>31,128</u>
	(124,708)	831,128

Change in non-cash working capital items

Accounts receivable	390,182	(1,026,430)
Prepaid expenses	187,039	(211,130)
Accounts payable and accrued liabilities	(564,577)	506,994
Deferred contributions	<u>(14,040)</u>	<u>602,469</u>
	<u>(126,104)</u>	<u>703,031</u>

Financing

Loan payable (net)	<u>(3,658,319)</u>	<u>4,908,319</u>
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Investing

Loan receivable (net)	3,927,319	(4,908,319)
Purchase of investments (net)	447,602	(481,935)
Purchase of capital assets	<u>(43,361)</u>	<u>(52,987)</u>
	<u>4,331,560</u>	<u>(5,443,241)</u>

Increase in cash	547,137	168,109
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Cash

Beginning of year	<u>3,242,652</u>	<u>3,074,543</u>
End of year	<u>\$ 3,789,789</u>	<u>\$ 3,242,652</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2022

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.

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

Liquidation purchase products revenue (Note 13) 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, 2022

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) Controlled not-for-profit organization

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 10).

e) 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.

f) 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.

g) 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, 2022

2. Summary of significant accounting policies (continued)

g) 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.

h) 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 16).

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 a guaranteed investment certificate, pledged as cash collateral of \$200,000 for the Vancity Investment Bank ("VCIB") loans (Note 9), earning interest at 3.45% (2021 - 0.45%), maturing August 21, 2023 (2021 - August 19, 2022).

The Organization holds a guaranteed investment certificate in the amount of \$2,566,083 (2021 - \$3,018,164), earning interest at 2.90% (2021 - 0.80% to 1.10%), maturing May 25, 2023 (2021 - May 25, 2022).

5. Accounts receivable

	<u>2022</u>	<u>2021</u>
Due from Affiliates	\$ 2,661,761	\$ 2,729,427
HST refund	320,112	314,605
Other	<u>356,115</u>	<u>684,138</u>
	<u>\$ 3,337,988</u>	<u>\$ 3,728,170</u>

Due from affiliates includes a \$822,589 receivable from Habitat for Humanity Wood Buffalo Society in regards to expenses paid by the Organization on the affiliate's behalf (Note 10).

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2022

6. Loan receivable

The Organization provided demand loans of \$981,000 (2021 - \$Nil) to five Affiliates. The loans bear interest at 1% per annum, payable quarterly, and mature by October 2024. 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 through the financing available through Charities Aid Foundation (Note 9).

The Organization provided a non-revolving, floating rate demand construction loan of \$Nil (2021 - \$4,659,319) to an Affiliate. The loan requires monthly interest payments at the VCIB prime rate plus 0.5% per annum, subject to a floor rate of 2.95%. The Organization also provided a demand operating loan of \$Nil (2021 - \$249,000) to an Affiliate. The loan bears interest at the VCIB Prime Rate plus 0.50% per annum. These funds are made available through the financing available through VCIB (Note 9).

7. Capital assets

			<u>2022</u>	<u>2021</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 232,455	\$ (141,795)	\$ 90,660	\$ 94,035
Office equipment	263,998	(199,909)	64,089	52,894
Vehicles	22,342	(15,849)	6,493	9,276
Leasehold improvements	<u>130,050</u>	<u>(97,547)</u>	<u>32,503</u>	<u>36,114</u>
	<u>\$ 648,845</u>	<u>\$ (455,100)</u>	<u>\$ 193,745</u>	<u>\$ 192,319</u>

8. 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>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 4,209,935	\$ 3,607,466
Contributions received during the year		
Affiliates	9,563,228	9,154,931
International programs	614,833	742,470
Less: disbursements made during the year		
Affiliates	(9,286,714)	(8,533,766)
International programs	(635,493)	(761,166)
Global Village	<u>(269,894)</u>	<u>-</u>
Balance, end of year	<u>\$ 4,195,895</u>	<u>\$ 4,209,935</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2022

9. Loan payable

	<u>2022</u>	<u>2021</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 \$750,000 of principal due May 13, 2025.)	1,500,000	250,000
Balance, end of year	1,500,000	5,158,319
Current portion	<u>-</u>	<u>4,908,319</u>
Long-term portion	<u>\$ 1,500,000</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, 2022, 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.

10. Habitat for Humanity Wood Buffalo

During the year, 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.

The new Board decided to honour HFHWB's commitment of two partially finished homes, whose completion were financed by the Organization. This resulted in a receivable from HFHWB of \$822,589 (Note 5). The Organization anticipates recovering the amounts due from HFHWB in the subsequent year on the realization of mortgage payments and the sale of various properties.

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

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2022

10. Habitat for Humanity Wood Buffalo (continued)

A summary of HFHWB financial results as at December 31, 2022 is as follows:

Statement of financial position	<u>2022</u>
Total assets	<u>\$ 2,552,158</u>
Total liabilities	<u>\$ 1,224,878</u>
Fund balances	<u>1,327,280</u>
Total liabilities and fund balances	<u>\$ 2,552,158</u>
Statement of operations	
Total revenue	<u>\$ 218,293</u>
Total expenses	<u>81,182</u>
Excess of revenue over expenses	<u>\$ 137,111</u>
Statement of cash flows	
Cash flows from operations	<u>\$ 856,095</u>
Cash flows from investing activities	<u>\$ (675,580)</u>
Cash flows from financing activities	<u>\$ (118,027)</u>

11. Joint arrangement

In 2020, 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. The agreement was renewed in 2022. During the year, total donations of \$9,734,153 (2021 - \$11,080,367) were collected and total expenses of \$2,619,816 (2021 - \$2,716,547) were incurred with a net amount of \$5,959,827 allocated to the Organization (2021 - \$5,771,035) and \$1,154,510 allocated to GTA (2021 - \$2,592,784). During the year, both organizations agreed to exclude major gift fundraising from this joint arrangement. This agreement was mutually terminated on December 31, 2022.

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Notes to Financial Statements

December 31, 2022

12. 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.

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>2022</u>	<u>2021</u>
Balance, beginning of the year	\$ -	\$ -
Funds received during the year	11,052,439	6,457,467
Less: disbursements made during the year	<u>(11,052,439)</u>	<u>(6,457,467)</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, 2022 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.

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2022

13. 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 spent approximately \$575,000 (2021 - \$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.

14. 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. As at December 31, 2022, no additional amounts have been transferred to the internally restricted crisis management fund.

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:

2023	\$ 533,602
2024	417,814
2025	330,494
2026	<u>55,082</u>
	<u>\$ 1,336,992</u>

Habitat for Humanity Canada/ Habitat pour l'humanité Canada

Notes to Financial Statements

December 31, 2022

16. Allocation of support expenses

During the year ended December 31, 2022, 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	2022	2021
Affiliate support and governance	\$ 60,251	\$ 109,340	\$ 169,591	\$ 107,976
ReStore and product development	75,314	514,644	589,958	489,557
Government relations and indigenous housing program	55,230	23,940	79,170	47,597
Marketing and communications	75,314	123,007	198,321	182,851
Administration	75,314	64,942	140,256	121,900
Fundraising	160,670	191,344	352,014	385,445
	<u>\$ 502,093</u>	<u>\$ 1,027,217</u>	<u>\$ 1,529,310</u>	<u>\$ 1,335,326</u>

17. 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, 2022 is \$Nil (2021 - \$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 \$9,196 (2021 - \$10,576). 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.

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Notes to Financial Statements

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18. 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.