

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
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YEAR ENDED DECEMBER 31, 2022

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To the Board of Directors of Habitat for Humanity Vancouver Island North Society:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Habitat for Humanity Vancouver Island North Society (the "Society"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net assets, cash flows and the related schedules 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 matter 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 Society as at December 31, 2022, and its financial performance 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 Society derives revenue from donations and fundraising activities the 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 Society. Therefore, we were not able to determine if any adjustments might be necessary to donations, grants and contributions revenue and excess of revenues over expenses, current assets and net assets as at December 31, 2022. The audit opinion on the financial statements for the year ended December 31, 2021 was also 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 Society 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.

Other Matter

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed a qualified opinion on those statements on May 26, 2022 for the reasons described in the Basis for Qualified Opinion paragraph.

Other Information

Management is responsible for the other information, consisting of an annual report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to communicate the matter with those charged with governance.

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

Management is responsible for the preparation and fair presentation of the 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia) we report that, in our opinion, the accounting principles in Canadian Accounting Standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Courtenay, British Columbia

May 25, 2023

MNP LLP

Chartered Professional Accountants

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022


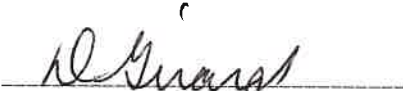
	Operating Fund	Housing Fund	Invested in Property and Equipment	2022	2021
ASSETS					
CURRENT					
Cash	\$ 191,831	\$ 513,473	\$ 52,429	\$ 757,733	\$ 900,546
Accounts receivable	42,548	28,830	-	71,378	40,648
Goods and services tax recoverable	3,353	53,206	-	56,559	850
Property held in inventory	-	64,866	-	64,866	53,468
Prepaid expenses and deposits	-	4,511	-	4,511	4,511
Current portion of mortgages receivable (Note 2)	-	127,000	-	127,000	108,000
Housing projects under development	-	2,693,404	-	2,693,404	1,315,048
Interfund balances	709,242	(709,242)	-	-	-
	<u>946,974</u>	<u>2,776,048</u>	<u>52,429</u>	<u>3,775,451</u>	<u>2,423,071</u>
HOUSING PROJECTS UNDER DEVELOPMENT	-	684,717	-	684,717	1,184,573
MORTGAGES RECEIVABLE (Note 2)	-	3,543,753	-	3,543,753	3,248,257
PROPERTY AND EQUIPMENT (Note 3)	-	-	700,938	700,938	631,496
	<u>\$ 946,974</u>	<u>\$ 7,004,518</u>	<u>\$ 753,367</u>	<u>\$ 8,704,859</u>	<u>\$ 7,487,397</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	Operating Fund	Housing Fund	Invested in Property and Equipment	2022	2021
LIABILITIES					
CURRENT					
Line of credit (Note 4)	\$ -	\$ 663,109	\$ -	\$ 663,109	\$ -
Accounts payable and accrued liabilities (Note 5)	121,544	300,936	-	422,480	228,013
Goods and services taxes payable	-	-	-	-	47,190
Deferred income (Note 9)	-	600,646	-	600,646	663,956
Deferred mortgage payments	-	16,074	-	16,074	51,597
Restore Impact Fund Loan (Note 8)	-	-	141,000	141,000	-
CEBA Loan (Note 7)	60,000	-	-	60,000	-
Current portion of demand loan (Note 6)	-	-	8,448	8,448	8,186
	181,544	1,580,765	149,448	1,911,757	998,942
Demand loan (Note 6)	-	-	84,014	84,014	92,242
	181,544	1,580,765	233,462	1,995,771	1,091,184
CEBA LOAN (Note 7)	-	-	-	-	60,000
DEFERRED INCOME (Note 9)	48,544	-	-	48,544	60,297
	230,088	1,580,765	233,462	2,044,315	1,211,481
Commitments (Note 12)					
NET ASSETS					
UNRESTRICTED	716,886	-	-	716,886	624,210
HOUSING FUND	-	5,423,753	-	5,423,753	5,120,638
INVESTED IN PROPERTY AND EQUIPMENT	-	-	519,905	519,905	531,068
	716,886	5,423,753	519,905	6,660,544	6,275,916
	\$ 946,974	\$ 7,004,518	\$ 753,367	\$ 8,704,859	\$ 7,487,397

Approved on behalf of the Board

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022

	Operating Fund	Housing Fund	Invested in Property and Equipment	2022	2021
RESTORE SALES	\$ 1,899,018	\$ -	\$ -	\$ 1,899,018	\$ 1,843,001
RESTORE EXPENSES (Schedule 1)	1,276,546	-	-	1,276,546	1,213,802
NET CONTRIBUTION FROM RESTORE OPERATIONS	622,472	-	-	622,472	629,199
OTHER REVENUE					
Proceeds from sale of housing	-	1,358,000	-	1,358,000	2,043,000
Cost of housing sold	-	(1,552,035)	-	(1,552,035)	(2,181,186)
	-	(194,035)	-	(194,035)	(138,186)
Donations, grants and contributions (Note 10)	191,178	608,882		800,060	1,275,849
Wage subsidies	-	65,347	-	65,347	292,402
Interest and miscellaneous	16,142	2,915	-	19,057	33,077
OTHER REVENUE TOTAL	207,320	483,109	-	690,429	1,463,142
TOTAL REVENUE	829,792	483,109	-	1,312,901	2,092,341
OPERATING EXPENSES (Schedule 2)	351,033	-	23,763	374,796	385,534
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	478,759	483,109	(23,763)	938,105	1,706,807
Gain on disposal of property and equipment	-	-	-	-	4,681
Fair value adjustment to mortgage receivable on housing sale	-	(764,049)	-	(764,049)	(1,009,623)
Imputed interest income earned on mortgage receivable	-	203,972	-	203,972	150,995
Rental revenue	-	6,600	-	6,600	3,900
	-	(553,477)	-	(553,477)	(850,047)
EXCESS OF REVENUE OVER EXPENSES	\$ 478,759	\$ (70,368)	\$ (23,763)	\$ 384,628	\$ 856,760

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022

	Operating Fund	Housing Fund	Invested in Property and Equipment	2022	2021
NET ASSETS -					
BEGINNING OF					
YEAR	\$ 624,210	\$ 5,120,638	\$ 531,068	\$ 6,275,916	\$ 5,419,156
EXCESS					
(SHORTFALL) OF					
REVENUE OVER					
EXPENSES	478,759	(70,368)	(23,763)	384,628	856,760
INTERFUND					
TRANSFERS					
Repayment of demand loan	(12,600)	-	12,600	-	-
Restore profits transferred <i>(Note 11)</i>	(373,483)	373,483	-	-	-
NET ASSETS - END OF					
YEAR	\$ 716,886	\$ 5,423,753	\$ 519,905	\$ 6,660,544	\$ 6,275,916

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 384,628	\$ 856,760
Items not affecting cash:		
Amortization of property and equipment	19,129	21,964
Deferred contributions recognized to income	(677,103)	(1,264,893)
Net proceeds from sale of housing	194,035	138,186
Adjustment and amortization of mortgages receivable to fair value	764,049	1,009,623
Imputed interest income earned on mortgage receivable	(203,972)	(150,995)
Gain on disposal of property and equipment	-	(4,681)
	<u>480,766</u>	<u>605,964</u>
Changes in non-cash working capital balances		
(Increase) decrease in accounts receivable	(30,730)	40,524
(Increase) decrease in goods and services tax recoverable	(55,709)	9,726
(Increase) decrease in property held in inventory	(11,398)	68,510
(Increase) decrease in deferred mortgage payments	(35,523)	12,637
Increase in accounts payable and accrued liabilities	194,467	72,955
(Decrease) increase in goods and services tax payable	(47,190)	47,190
	<u>13,917</u>	<u>251,542</u>
Cash flow from operating activities	<u>494,683</u>	<u>857,506</u>
INVESTING ACTIVITIES		
Expenditure on housing projects	(2,430,535)	(1,182,023)
Purchase of property and equipment	(88,571)	-
Proceeds on disposal of property and equipment	-	6,000
Mortgage payments received	483,427	236,863
Cash flow used by investing activities	<u>(2,035,679)</u>	<u>(939,160)</u>
FINANCING ACTIVITIES		
Repayments on demand loan	(7,966)	(7,703)
Receipts of deferred contributions	602,040	656,129
Proceeds from line of credit	663,109	-
Repayment of line of credit	-	(190,278)
Receipt of Restore Impact Fund Loan	141,000	-
Receipt of CEBA loan	-	20,000
Cash flow from financing activities	<u>1,398,183</u>	<u>478,148</u>
(DECREASE) INCREASE IN CASH FLOW	<u>(142,813)</u>	<u>396,494</u>
CASH - BEGINNING OF YEAR	<u>900,546</u>	<u>504,052</u>
CASH - END OF YEAR	<u>\$ 757,733</u>	<u>\$ 900,546</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

Habitat for Humanity Vancouver Island North Society (the "Society") provides home ownership opportunities for low-income families through volunteer labour and donations of money, land, and materials. Qualified families purchase the home with zero-interest mortgages.

The Society also operates two retail stores ("ReStores") which sell used building materials and other household goods. The stores obtain their inventory through donations from the community and other partners.

The Society is a registered charitable organization for income tax purposes.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations

(b) Revenue recognition

Sales revenue is recognized in accordance with industry practice which is when all the risks and benefits of ownership of products have been transferred to customers under executed sales agreements.

Revenue from ReStore sales are recorded on the sale of merchandise to customers.

Unrestricted grants, contributions and donations are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted grants, contributions and donations are recognized as revenue in the year in which the related expenses are incurred or the related housing projects are sold.

The purchase price of houses sold to low income families is set at the fair market value of the house as determined by a qualified independent party and is recognized as revenue when legal title of the property transfers to the family.

(c) Fund accounting

The Operating Fund reports all the assets, liabilities, revenues and expenses relating to the Society's two ReStores and accounts for all of the Society's general and administrative expenses.

The Housing Fund reports the assets, liabilities, revenues and expenses relating to the Society's building activities, including the maintenance of mortgages on previously sold homes, and revenues relating to rental activities. The Housing Fund only includes revenues and costs specifically attributed to the construction of homes and the maintenance of mortgages and revenue from rentals.

The Invested in Property and Equipment fund reports all the assets, liabilities, revenues and expenses relating to the Society's property and equipment. The expenses reported in the Invested in Property and Equipment fund include interest payments on long term debt and amortization.

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments

The Society's financial instruments consist of cash, accounts receivable, mortgages receivable, accounts payable, accrued liabilities, line of credit, Restore Impact Fund Loan, CEBA loan and a demand loan.

The Society initially measures its financial instruments at their fair value adjusted for related transaction costs, and subsequently measures them at amortized cost.

The difference between the fair value and the face value of mortgages receivable, as well as any adjustments for amortized cost, are recognized in net income in the period incurred.

Unless otherwise noted, it is management's opinion that the Society's financial instruments are not exposed to risk related to interest rate, foreign exchange or other price fluctuation.

(e) Housing projects under development

Housing projects under development includes land, buildings, building material and labour, either purchased or donated. It is stated at the lower of cost and net realizable value. Net realizable value is defined as market value less costs of disposition. Any excess of carrying value over net realizable value is expensed in the year in which the impairment is realized.

(f) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated using the diminishing-balance method at the annual rates indicated below, except for leasehold improvements which are amortized using the straight-line method.

Land	N/A
Buildings	4%
Motor vehicles	30%
Computer equipment & software	45%
Leasehold improvements	5 years

(g) Contributed services

Donated goods and services are not recorded unless they are used directly in housing construction or are property and equipment, and the fair market value can be reasonably estimated. Donated goods and services used directly in housing construction or are property and equipment are recorded at their fair market value at the time of donation. The value of donated goods for resale are not reflected in these financial statements.

In addition, volunteers contribute a significant number of hours per year to assist the Society in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Use of estimates

Financial statements prepared in accordance with accounting standards for not-for-profit organizations require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

Management's significant estimates and assumptions include:

- the fair value of mortgages receivable which is estimated using the average of 5 year conventional fixed mortgage rates offered by Canadian chartered banks and expected monthly payments applicable at the time of inception of the mortgage receivable;
- the estimated useful lives of assets and the resulting estimates for amortization expense;
- accrued accounts payable estimated on the expected costs of services that have been rendered but not yet invoiced, or, as in the case of accounting fees, services to be rendered in relation to the current year-end;

These estimates and assumptions are based on management's best information and judgment. Actual results may differ from those estimates.

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

2. MORTGAGES RECEIVABLE

	2022	2021
Mortgage initiated in 2007 for \$95,000 discounted at 7.19%	\$ 40,551	\$ 45,769
Mortgage initiated in 2007 for \$191,569 discounted at 5.85%	109,886	113,106
Mortgage initiated in 2009 for \$196,094 discounted at 5.85%	144,346	151,769
Mortgage initiated in 2013 for \$196,534 discounted at 5.34%	106,648	126,404
Mortgage initiated in 2013 for \$201,694 discounted at 5.14%	117,004	134,661
Mortgage initiated in 2013 for \$201,694 discounted at 5.14%	141,304	146,706
Mortgage initiated in 2014 for \$196,534 discounted at 5.24%	112,564	126,799
Mortgage initiated in 2015 for \$217,714 discounted at 4.64%	175,059	181,716
Mortgage initiated in 2015 for \$219,374 discounted at 4.64%	179,230	186,511
Mortgage initiated in 2016 for \$195,390 discounted at 4.74%	158,737	164,527
Mortgage initiated in 2016 for \$215,047 discounted at 4.74%	168,176	175,658
Mortgage initiated in 2016 for \$215,047 discounted at 4.74%	188,676	194,976
Mortgage initiated in 2018 for \$198,534 discounted at 5.34%	158,624	165,889
Mortgage initiated in 2018 for \$198,534 discounted at 5.34%	152,356	161,425
Mortgage initiated in 2020 for \$305,305 discounted at 4.94%	263,811	276,835
Mortgage initiated in 2020 for \$288,349 discounted at 4.94%	250,143	261,732
Mortgage initiated in 2020 for \$288,349 discounted at 4.94%	260,526	268,277
Mortgage initiated in 2020 for \$320,341 discounted at 4.94%	273,337	284,149
Mortgage initiated in 2020 for \$325,501 discounted at 4.94%	301,828	308,811
Mortgage initiated in 2020 for \$325,501 discounted at 4.94%	298,225	305,148
Mortgage initiated in 2020 for \$325,935 discounted at 4.79%	309,272	315,348
Mortgage initiated in 2020 for \$325,935 discounted at 4.79%	296,117	306,192
Mortgage initiated in 2020 for \$325,935 discounted at 4.79%	283,459	299,639
Mortgage initiated in 2020 for \$325,935 discounted at 4.79%	298,739	307,419
Mortgage initiated in 2021 for \$368,155 discounted at 4.79%	357,017	363,477
Mortgage initiated in 2021 for \$404,275 discounted at 4.79%	387,025	394,993
Mortgage initiated in 2021 for \$306,235 discounted at 4.79%	268,332	281,728
Mortgage initiated in 2021 for \$306,235 discounted at 4.79%	285,864	292,000
Mortgage initiated in 2021 for \$371,251 discounted at 4.79%	349,098	361,176
Mortgage initiated in 2021 for \$351,795 discounted at 4.79%	329,042	343,979
Mortgage initiated in 2022 for \$304,440 discounted at 4.79%	279,782	-
Mortgage initiated in 2022 for \$370,104 discounted at 4.79%	357,155	-
Mortgage initiated in 2022 for \$319,920 discounted at 6.14%	287,596	-
Mortgage initiated in 2022 for \$245,731 discounted at 6.49%	231,863	-
	<u>7,921,392</u>	<u>7,046,819</u>
Discounts	(4,250,639)	(3,690,562)
	<u>3,670,753</u>	<u>3,356,257</u>
Less: current portion	(127,000)	(108,000)
	<u>\$ 3,543,753</u>	<u>\$ 3,248,257</u>

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

2. MORTGAGES RECEIVABLE (continued)

The Society secures a first mortgage on the properties sold equal to the recognized sale price. These first mortgages are non-interest bearing, with variable repayment amounts, variable maturity and secured by the respective land and building.

Starting in late 2022, the Society started to sell homes with a first mortgage provided by a 3rd party financial institution. Accordingly, the Society received a 2nd mortgage for the balance of the sale price that is non-interest bearing with variable repayment amounts, variable maturity and secured by a second charge on the respective land and building.

Although the mortgages receivable bear no interest, Canadian accounting standards for not-for-profit organizations requires interest income to be recognized in the statement of operations over the life of these mortgages based on reasonable interest rates determined by management. Management uses the estimated mortgage rate for similar mortgages based on market rates at the inception of the mortgage as indicated below.

Prior to April 2009, the Society measured the sale of the houses at cost, including the value of donated materials and labour. For those properties, a second mortgage on the properties was secured in an amount equal to the difference between the original first mortgage and the fair market value of the property at the time of sale. The terms of the second mortgages were as follows:

1. The second mortgage may be reduced by a maximum of 25% after 60% of the life of the mortgage has expired.
2. The second mortgage may be forgiven in full upon final payment of the first mortgage or the mortgage has terminated, whichever is longer.

Given the likelihood of collecting the second mortgages is remote, the corresponding receivable and revenue are not recognized in the financial statements.

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 436,117	\$ -	\$ 436,117	\$ 436,117
Buildings	237,208	98,708	138,500	147,080
Equipment	115,524	83,986	31,538	39,422
Motor vehicles	154,095	59,316	94,779	8,870
Computer equipment & software	4,936	4,932	4	7
Leasehold improvements	10,381	10,381	-	-
	\$ 958,261	\$ 257,323	\$ 700,938	\$ 631,496

4. LINE OF CREDIT

The Society has a \$2,530,000 line of credit with Coastal Community Credit Union ("CCCU"). Security for the financing includes: an assignment of mortgages receivables and rents, a charge over specific land and buildings and a general security agreement over the present and future property of the Society.

The loan is payable on demand and bears interest at the Credit Union's Prime Lending Rate plus 1% being 6.45% (2021: 2.45%)

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Trades payable	\$ 377,420	\$ 173,264
Wages payable	45,060	54,749
	\$ 422,480	\$ 228,013

6. DEMAND LOAN

	2022	2021
Demand loan payable at \$252 weekly including interest at 5.45%, secured by a charge over the land and buildings and a general security agreement on all assets.	\$ 92,462	\$ 100,428
Less: current portion	(8,448)	(8,186)
	\$ 84,014	\$ 92,242

Management does not believe that the demand features of the demand loan will be exercised in the current period. Under that assumption, expected principal repayments on the demand loan over the next five years are as follows:

Principal repayment terms are approximately:

2023	\$	8,448
2024		8,930
2025		9,257
2026		9,775
2027		10,323
Thereafter		45,729
	\$	92,462

7. CEBA LOAN

The Society received the \$40,000 CEBA loan in the 2020 fiscal year and an additional expansion amount of \$20,000 amount in the 2021 fiscal year. The loan was provided by the Government of Canada to provide capital to organizations to see them through the current challenges and better position them to return to providing services and creating employment. The loan is unsecured. The loan is interest free to December 31, 2023. If the loan is paid back by December 31, 2023, \$20,000 of the loan will be forgiven. If the loan is not paid back by December 31, 2023, the full \$60,000 loan will be converted to loan repayable over three years with a 5% interest rate.

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

8. RESTORE IMPACT FUND LOAN

The Society received a demand loan of \$141,000 in the 2022 fiscal year from Habitat for Humanity Canada. The purpose of the loan was to purchase two ReStore delivery trucks. The loan bears interest at 1% per annum, paid quarterly and is repayable by October 31, 2024.

9. DEFERRED INCOME

Deferred income represents funds designated for housing projects under development.

	Opening	Additions	Allocations	Ending
Fundraising	\$ 42,159	\$ 99,123	\$ 42,159	\$ 99,123
Donations	146,036	52,920	146,036	52,920
Grants:				
Federal Government	294,717	6,571	301,288	-
Provincial Government	25,000	149,864	25,000	149,864
Municipal/Regional Government	36,897	81,891	38,861	79,927
Other	78,781	72,308	55,538	95,551
Wage Subsidies	65,306	-	65,306	-
Gaming	-	119,406	-	119,406
Miscellaneous	35,357	19,957	2,915	52,399
	<u>\$ 724,253</u>	<u>\$ 602,040</u>	<u>\$ 677,103</u>	<u>\$ 649,190</u>

Included in ending deferred income is \$600,646 (2021: \$663,956) in contributions expected to be recognized within one year.

Included in deferred contributions are funds received from the Canada Mortgage and Housing Corporation (CMHC) in the amount of \$Nil (2021: \$198,715) and structured as forgivable loans. As a forgivable loan, the amounts received are considered contributions for accounting purposes as it has been determined by the Society 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.

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, \$3,333 (2021: \$Nil) has been forgiven. The society's total cumulative exposure is \$541,839 (2021: \$545,172).

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 Society must fulfil the covenant on affordability, with either the original units or by substitution for a period of 20 years.

10. DONATIONS, GRANTS, AND CONTRIBUTIONS

	2022	2021
Fundraising	\$ 48,151	\$ 111,353
Donations	285,748	204,312
Grants:		
Federal Government	305,049	723,501
Provincial Government	25,000	64,908
Municipal/Regional Government	38,935	39,162
Other	97,177	132,613
	<u>\$ 800,060</u>	<u>\$ 1,275,849</u>

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

11. RESTORE PROFITS TRANSFERRED

During the year, the Board of Directors decided to transfer 60% of ReStore profits and 60% of wage subsidy revenue from the Operating Fund to the Housing Fund.

12. COMMITMENTS

Habitat for Humanity Vancouver Island North Society rents its Campbell River premises under a long-term lease which expires August 31, 2024, and for which the annual minimum lease payment is \$104,460 plus triple net.

13. CREDIT RISK

The Society is exposed to credit risk in the event of non-payment of mortgages receivable from the partner families. The Society believes that this credit risk is minimal as the carrying value of the mortgages is substantially less than the value of the underlying homes.

14. REMUNERATION OF DIRECTORS, EMPLOYEES, AND CONTRACTORS

In order to comply with BC Societies Act requirements, the Society must disclose the amount of remuneration paid to directors and the amount paid to individual employees and contractors whose remuneration exceeds \$75,000.

During the fiscal year ended December 31, 2022, two employees (2021: three) were paid gross wages of \$194,947 (2021: \$246,875). No remuneration was paid to any director and no contractor was paid \$75,000 or more.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

HABITAT FOR HUMANITY VANCOUVER ISLAND NORTH SOCIETY
SCHEDULES
YEAR ENDED DECEMBER 31, 2022

	2022	2021
SCHEDULE 1 - RESTORE EXPENSES		
Habitat affiliation fees	\$ 72,305	\$ 70,996
Insurance	8,061	8,422
Interest and bank charges	6,020	1,237
Occupancy costs	149,449	142,316
Office and sundry	62,868	54,973
Purchases and supplies	119,482	93,651
Salaries and wages	812,360	806,353
Vehicle	46,001	35,854
	\$ 1,276,546	\$ 1,213,802
SCHEDULE 2 - OPERATING EXPENSES		
Amortization of property and equipment	\$ 19,129	\$ 21,964
Fundraising and marketing	2,360	50,455
Habitat affiliation fees and tithing	25,000	25,000
Interest on long-term debt	855	5,385
Occupancy costs	30,582	28,297
Office and sundry	21,489	20,617
Professional fees	22,261	15,398
Salaries and wages	253,120	218,418
	\$ 374,796	\$ 385,534

The accompanying notes are an integral part of these financial statements.