

# **HABITAT FOR HUMANITY HALTON/MISSISSAUGA**

Financial Statements  
for the Year Ended December 31, 2020  
and Independent Auditor's Report to the Directors

**HABITAT FOR HUMANITY HALTON/MISSISSAUGA**  
FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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CHARTERED  
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## INDEPENDENT AUDITOR'S REPORT

**To the Directors of  
Habitat for Humanity Halton/Mississauga:**

### **Qualified Opinion**

We have audited the accompanying financial statements of Habitat for Humanity Halton/Mississauga (the Organization), which comprise the statement of financial position as at December 31, 2020 and the statements of operations, changes in net assets and cash flows for the year the 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 financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, 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 not-for-profit organizations, the Organization derives revenue from certain activities, including donations and ReStore sales, 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, expenses, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2020 and 2019, assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

### **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.

*Durward Jones Barkwell + Company LLP*

**Durward Jones Barkwell & Company LLP**  
**Licensed Public Accountants**

**June 23, 2021**

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2020

	2020			2019
	Housing Fund	Operating Fund	Total	Total
<b>REVENUE</b>				
Amortization of deferred donations (Note 9)	\$ -	\$ 5,966	\$ 5,966	\$ 10,594
Amortization of deferred grants (Note 10)	-	2,196	2,196	32,107
Donations - cash	1,118,901	169,260	1,288,161	2,616,665
Donations - in kind	75,013	-	75,013	78,497
Interest and other income	-	12,733	12,733	12,201
Rental	-	92,971	92,971	39,744
ReStore operations - page 20	-	1,406,919	1,406,919	1,304,887
	<b>1,193,914</b>	<b>1,690,045</b>	<b>2,883,959</b>	4,094,695
<b>EXPENSES</b>				
Amortization	-	2,079	2,079	9,251
Bad debts	-	3,612	3,612	-
Bank charges and interest	-	16,819	16,819	14,467
Community awareness and education	-	16,294	16,294	34,108
Depreciation	177,557	27,692	205,249	75,447
Facilities	-	54,221	54,221	54,478
Family partnering program	156,059	95,650	251,709	214,188
Habitat for Humanity Canada affiliation fees	-	37,500	37,500	37,500
Handyman program	100,109	-	100,109	190,851
Insurance	-	53,695	53,695	43,894
Interest on obligation under capital leases	6,917	435	7,352	878
Office and miscellaneous	-	15,634	15,634	26,083
Personnel (program and administration)	-	886,750	886,750	971,445
Professional fees	-	322,421	322,421	135,762
Resource development	111,293	399,081	510,374	630,948
Sales tax not recovered	-	79,656	79,656	94,555
Tithe for international projects	113,175	-	113,175	149,265
Vehicle	35,319	-	35,319	43,639
Volunteer expenses	-	5,531	5,531	76,641
	<b>700,429</b>	<b>2,017,070</b>	<b>2,717,499</b>	2,803,400
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE (EXPENSES)</b>	<b>493,485</b>	<b>(327,025)</b>	<b>166,460</b>	1,291,295
<b>OTHER REVENUE (EXPENSES)</b>				
Adjustment of mortgages receivable discount	25,851	-	25,851	15,805
Canada Emergency Rent Subsidy	-	35,813	35,813	-
Canada Emergency Wage Subsidy	70,750	408,244	478,994	-
Excess of proceeds received over carrying value of properties (Note 3)	304,123	-	304,123	299,916
Gain on repayment of mortgages receivable	-	-	-	197,322
Loss on land deposit	(53,332)	-	(53,332)	-
Unrealized change in value of marketable securities	388	-	388	1,812
	<b>347,780</b>	<b>444,057</b>	<b>791,837</b>	514,855
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 841,265</b>	<b>\$ 117,032</b>	<b>\$ 958,297</b>	<b>\$ 1,806,150</b>

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2020

	<b>2020</b>			<u>2019</u>
	<b>Housing Fund</b>	<b>Operating Fund</b>	<b>Total</b>	<b>Total</b>
Balance, beginning of year	\$14,715,921	\$ (828,343)	\$13,887,578	\$12,081,428
Excess of revenue over expenses	841,265	117,032	958,297	1,806,150
Balance, end of year	\$15,557,186	\$ (711,311)	\$14,845,875	\$13,887,578



# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020

		2020		2019
	Housing Fund	Operating Fund	Total	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Marketable securities	\$ 19,763	\$ -	\$ 19,763	\$ 19,375
Accounts receivable (Note 2)	268,246	178,222	446,468	210,144
Properties in progress and held for sale (Note 3)	10,154,492	-	10,154,492	16,430,798
Prepaid expenses and deposits	43,097	99,031	142,128	153,182
Current portion of mortgages receivable	153,962	-	153,962	164,632
	<b>10,639,560</b>	<b>277,253</b>	<b>10,916,813</b>	<b>16,978,131</b>
<b>Mortgages receivable (Note 4)</b>	<b>1,808,876</b>	<b>-</b>	<b>1,808,876</b>	<b>1,929,928</b>
<b>Capital assets (Note 5)</b>	<b>8,542,228</b>	<b>136,260</b>	<b>8,678,488</b>	<b>1,053,432</b>
<b>Intangible asset (Note 6)</b>	<b>-</b>	<b>1,264</b>	<b>1,264</b>	<b>3,343</b>
	<b>\$20,990,664</b>	<b>\$ 414,777</b>	<b>\$21,405,441</b>	<b>\$19,964,834</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank indebtedness (Note 7)	\$ 2,373,455	\$ 308,682	\$ 2,682,137	\$ 2,540,447
Accounts payable and accrued liabilities	472,764	784,066	1,256,830	980,575
Deferred contributions from partner families (Note 3)	540,704	-	540,704	397,258
Current portion of deferred development charges	26,108	-	26,108	26,108
Current portion of deferred donations	-	2,877	2,877	3,807
Current portion of deferred grants	-	1,748	1,748	2,196
Current portion of obligation under capital leases	18,269	5,310	23,579	22,008
Current portion of mortgage payable	44,895	-	44,895	43,801
	<b>3,476,195</b>	<b>1,102,683</b>	<b>4,578,878</b>	<b>4,016,200</b>
<b>Deferred development charges (Note 8)</b>	<b>182,754</b>	<b>-</b>	<b>182,754</b>	<b>208,862</b>
<b>Deferred donations (Note 9)</b>	<b>-</b>	<b>7,408</b>	<b>7,408</b>	<b>12,444</b>
<b>Deferred grants (Note 10)</b>	<b>-</b>	<b>13,886</b>	<b>13,886</b>	<b>15,634</b>
<b>Obligation under capital leases (Note 11)</b>	<b>60,077</b>	<b>2,111</b>	<b>62,188</b>	<b>85,828</b>
<b>Mortgage payable (Note 12)</b>	<b>1,714,452</b>	<b>-</b>	<b>1,714,452</b>	<b>1,738,288</b>
<b>Contingencies (Note 13) and Commitments (Note 14)</b>				
	<b>5,433,478</b>	<b>1,126,088</b>	<b>6,559,566</b>	<b>6,077,256</b>
<b>NET ASSETS</b>				
<b>Housing fund</b>	<b>15,557,186</b>	<b>-</b>	<b>15,557,186</b>	<b>14,715,921</b>
<b>Operating fund</b>	<b>-</b>	<b>(711,311)</b>	<b>(711,311)</b>	<b>(828,343)</b>
	<b>15,557,186</b>	<b>(711,311)</b>	<b>14,845,875</b>	<b>13,887,578</b>
	<b>\$20,990,664</b>	<b>\$ 414,777</b>	<b>\$21,405,441</b>	<b>\$19,964,834</b>

Approved by the Board:



Director



Director

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2020

	2020			2019
	Housing Fund	Operating Fund	Total	Total
<b>OPERATING ACTIVITIES</b>				
Excess of revenue over expenses	\$ 841,265	\$ 117,032	\$ 958,297	\$ 1,806,150
Items not affecting cash				
Amortization of deferred donations	-	(5,966)	(5,966)	(10,594)
Amortization of deferred grants	-	(2,196)	(2,196)	(32,107)
Donations - in kind	(75,013)	-	(75,013)	(78,497)
Amortization	-	2,079	2,079	9,251
Depreciation	175,368	52,017	227,385	139,936
Expenses - in kind	75,013	-	75,013	78,497
Adjustment of mortgages receivable discount	(25,851)	-	(25,851)	(15,805)
Excess of proceeds received over carrying value of properties	(304,123)	-	(304,123)	(299,916)
Gain on repayment of mortgages receivable			-	(197,322)
Unrealized change in value of marketable securities	(388)	-	(388)	(1,812)
	<b>686,271</b>	<b>162,966</b>	<b>849,237</b>	<b>1,397,781</b>
Changes in non-cash operating assets and liabilities				
Accounts receivable	(180,940)	(55,384)	(236,324)	(51,564)
Prepaid expenses and deposits	31,339	(20,285)	11,054	122,354
Accounts payable and accrued liabilities	(60,221)	336,476	276,255	364,829
Deferred contributions from partner families	143,446	-	143,446	149,618
	<b>619,895</b>	<b>423,773</b>	<b>1,043,668</b>	<b>1,983,018</b>
<b>INVESTING ACTIVITIES</b>				
Net increase in marketable securities	-	-	-	(1,747)
Properties in progress and held for sale	(1,861,296)	-	(1,861,296)	(3,744,900)
Proceeds on sale of properties	594,669	-	594,669	647,000
Repayments of mortgages receivable	157,573	-	157,573	1,096,832
Purchase of capital assets	-	(5,385)	(5,385)	(50,382)
	<b>(1,109,054)</b>	<b>(5,385)</b>	<b>(1,114,439)</b>	<b>(2,053,197)</b>
<b>FINANCING ACTIVITIES</b>				
Repayment of deferred development charges	(26,108)	-	(26,108)	(26,108)
Repayments of obligation under capital leases	(16,916)	(5,153)	(22,069)	(8,681)
Repayments of mortgage payable	(22,742)	-	(22,742)	(41,877)
	<b>(65,766)</b>	<b>(5,153)</b>	<b>(70,919)</b>	<b>(76,666)</b>
<b>INCREASE (DECREASE) IN BANK INDEBTEDNESS</b>	<b>(554,925)</b>	<b>413,235</b>	<b>(141,690)</b>	<b>(146,845)</b>
<b>BANK INDEBTEDNESS, BEGINNING OF YEAR</b>	<b>(1,818,530)</b>	<b>(721,917)</b>	<b>(2,540,447)</b>	<b>(2,393,602)</b>
<b>BANK INDEBTEDNESS, END OF YEAR</b>	<b>\$(2,373,455)</b>	<b>\$(308,682)</b>	<b>\$(2,682,137)</b>	<b>\$(2,540,447)</b>

Supplemental information is provided in Note 15.



# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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## 1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

### ***Basis of accounting***

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Purpose of the organization***

The Organization was incorporated as a corporation without share capital and is subject to the provisions of the Charities Accounting Act. The Organization qualifies for tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act.

The primary objective of the Organization is to work within the Region of Halton and the City of Mississauga in advancing the interests of the economically disadvantaged by constructing homes and providing safe and affordable housing solutions to qualified families.

### ***Fund accounting***

The Organization follows the restricted fund method of accounting for contributions. Under this method, restricted contributions are recorded as revenue in the appropriate Restricted Fund in the year received or receivable. Unrestricted contributions are recognized as revenue of the Operating Fund when the contribution is received or receivable.

For financial reporting purposes, the accounts have been classified in the following funds:

The Housing Fund reports the revenue, expenses, assets and liabilities related to the housing activities of the Organization.

The Operating Fund reports the revenue, expenses, assets and liabilities, of all non-housing activities of the Organization, including administration, resource development, ReStore operations and all other general activities.

### ***Revenue recognition***

Contributions are considered unrestricted unless a donor specifies otherwise. The Organization ensures that all contributions received with a restricted purpose are used for that purpose. Restricted contributions for housing activities are recorded in the Housing Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions, such as general donations, fundraising and ReStore sales, are recorded in the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Rental, interest and other income is recorded on the accrual basis as earned and when collection is reasonably assured.

### ***Donated materials and services***

The Organization receives donations of materials and services. Materials which would otherwise be paid for by the Organization are recorded at fair value when reasonably determinable. Donated ReStore items are not recorded as inventory in these financial statements, however, the revenue generated by donated ReStore items is recognized at the selling price at the time of sale. The value of services provided by the Organization's many volunteers are not reflected in these financial statements.

### ***Government assistance***

Government assistance related to current revenue or expenses is included in the determination of excess of revenue over expenses for the period. When government assistance relates to expenses of future accounting periods, the appropriate amounts shall be deferred and amortized to income as related expenses are incurred.

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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## ***Properties in progress and held for sale***

Properties in progress and held for sale, including land, buildings, and building materials, both purchased and donated, are recorded at the lower of cost and net realizable value. Interest costs during the development and construction periods are capitalized as incurred.

## ***Capital assets***

Capital assets are recorded at cost. Depreciation is calculated using the declining balance method over their estimated useful lives at the rates indicated in Note 5. Leasehold improvements are depreciated on a straight-line basis over five years. In the year of acquisition, net additions are depreciated at one-half the normal rate.

## ***Leased equipment***

Long-term leases in which the Organization acquires substantially all the benefits and risks incident to ownership are accounted for as additions to equipment or leasehold improvements under capital lease. The asset value and related obligation are recorded at the present value of the future minimum lease payments using an appropriate discount rate. The assets are depreciated using the declining-balance method over the useful lives of the assets at the rates indicated in Note 5. In the year of acquisition, depreciation is recorded at one half the normal rate.

## ***Long-lived assets***

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

## ***Intangible asset***

Intangible asset is stated at cost and amortized on a straight-line basis at the rate indicated in Note 6.

## ***Use of estimates***

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as revenue recognition, allowances for accounts receivable, collectibility of first, second and third mortgages receivable, amortization of mortgages receivable, determination of property write-down, determination of useful lives of capital assets, impairment of capital assets, accrued liabilities and contingent liabilities.

## ***Financial instruments***

### **(a) Measurement of financial instruments**

The Organization initially measures its financial assets and financial liabilities at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributed to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are subsequently measured at fair value. Changes in fair value are recognized in excess of revenue over expenses.

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

The carrying values of mortgages receivable amount to the net present value of future anticipated cash flows calculated using the effective interest method. The net present value, or amortized cost, has been calculated using a discount rate equal to 2%. As the Organization is not seeking a rate of return on its investment in mortgages receivable, the only concern is the impact of inflation on its future cash receipts from repayment of the mortgages receivable and therefore, 2% is considered to be an appropriate discount rate.

Financial assets measured at amortized cost include cash, accounts receivable and mortgages receivable.

Financial assets measured at fair value include marketable securities.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, term loan payable and mortgage payable.

## (b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by the asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

## 2. ACCOUNTS RECEIVABLE

	<u>2020</u>			<u>2019</u>
	Housing Fund	Operating Fund	Total	Total
Accounts receivable	\$ 70,102	\$ 142,307	\$ 212,409	\$ 5,831
Sales tax recoverable	198,144	35,915	234,059	204,313
	<b>\$ 268,246</b>	<b>\$ 178,222</b>	<b>\$ 446,468</b>	<b>\$ 210,144</b>

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### 3. PROPERTIES IN PROGRESS AND HELD FOR SALE

As at December 31, 2020, five properties were held; three properties were completed and pending ownership transfer on a rent-to-own basis, and two other properties were in progress. One of the properties pending ownership on a rent-to-own basis was received in 2014 as part of a contribution agreement between the Government of Canada and Habitat for Humanity Halton/Mississauga, and as part of the agreement, the Organization cannot transfer title of the property to the partner family until 2028.

During the year, one property was sold for total consideration of \$621,000 with excess of proceeds over carrying value of \$304,123. There was no mortgage issued on the sale of the property.

Beginning in 2017, the Organization adopted a rent-to-own policy. Under this policy, the Organization enters into residential lease with option to purchase agreements with partner families as tenants. The partner families obtain ownership of their home once the total payments made amount to the fair market value of the home at the beginning of the lease. If the tenant chooses to vacate before they obtain ownership, the Organization is required to repay all payments received from the tenant from the beginning of the lease.

The Organization's policy is to defer payments received from tenants on a rent-to-own basis and recognize the revenue in the same period that ownership of the unit is transferred. At December 31, 2020, total payments received under the rent-to-own agreements, presented as deferred contributions from partner families, amounted to \$540,704 (2019 - \$397,258).

During the year, one property was transferred to capital assets upon completion as it is being used as a rental property. The property is not held for sale under the rent-to-own policy.

During the year, interest capitalized to properties in progress amounted to \$203,522 (2019 - \$215,458).

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# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

## 4. MORTGAGES RECEIVABLE

	<u>2020</u>	<u>2019</u>
Non-interest bearing first mortgages receivable, secured by various properties, repayable in monthly instalments and maturing on various dates between January 2039 and November 2051.	<b>\$ 2,270,644</b>	\$ 2,428,216
Less: unamortized discount (Note 1)	<b>(380,868)</b>	(405,288)
	<b>1,889,776</b>	2,022,928
Non-interest bearing second mortgage receivable, secured by a specific property, repayable when the home changes title or ninety-nine years from registration	<b>45,160</b>	45,160
Less: unamortized discount (Note 1)	<b>(38,088)</b>	(38,227)
	<b>7,072</b>	6,933
Non-interest bearing third mortgages receivable, secured by various properties, repayable when the home changes title or ninety-nine years from registration	<b>407,466</b>	407,466
Less: unamortized discount (Note 1)	<b>(341,476)</b>	(342,767)
	<b>65,990</b>	64,699
	<b>1,962,838</b>	2,094,560
Less: current portion	<b>(153,962)</b>	(164,632)
Long-term portion	<b>\$ 1,808,876</b>	\$ 1,929,928

Beginning in 2016, the Organization adopted a new mortgage policy. Under the new policy, at the time a house is sold, the new homeowner receives a first mortgage based on the fair market value of the home. Included in each sale agreement is a clause which allows the Organization the right of first refusal to repurchase the home should the partner family decide to sell the home. The repurchase price is based only on the equity already invested by the total monthly mortgage payments received from the partner family up to the date of sale back to the Organization. There is no appreciation value or additional equity offered.

In years prior to 2016, at the time a house was sold, the new homeowner provided a first mortgage that was determined based on the fair market value of the home and the ability of the homeowner to pay. The difference between the appraised value and the amount of the first mortgage was the amount assigned to any additional Habitat mortgages given by the homeowner.

Some previous Habitat second mortgages are forgivable after an extended period of time. Other than these previous Habitat second mortgages and the COAHP/IAH mortgages noted below, any second or subsequent mortgage provided by the homeowner to Habitat is repayable at the time title to the property is transferred or in 99 years from registration. All forgivable mortgages are not shown on the statement of financial position given that it is more likely than not that the mortgage will be forgiven.

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

Beginning in 2011, Habitat has been successful in obtaining interest-free loans of \$50,000 for Habitat homeowners through the Canada-Ontario Affordable Housing Program/Investment in Affordable Housing (COAHP/IAH) program. Loans granted in 2011 were positioned as third mortgages. Any new loans will be positioned as second mortgages, with any additional Habitat mortgage positioned as a third mortgage, if necessary. The COAHP/IAH mortgages are forgivable after 20 years.

All mortgages provided to Habitat are interest free.

The total amount of forgivable second mortgages receivable not included in the financial statements are:

	<u>2020</u>	<u>2019</u>
Second mortgages	<b>\$ 405,940</b>	\$ 405,940

## 5. CAPITAL ASSETS

	Annual Depreciation Rates	<u>2020</u>		<u>2019</u>	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
<b>Operating Fund</b>					
Office equipment	20%-30%	\$ 213,959	\$ 161,226	\$ 213,959	\$ 145,448
Office equipment - donated	20%	95,354	82,740	95,354	78,835
Equipment under capital lease	20%	40,156	25,806	40,156	22,219
Computer equipment	30%	161,421	131,491	156,036	119,860
Computer equipment - donated	30%	1,050	976	1,050	945
Computer software	30%	23,482	23,332	23,482	23,268
Computer software - donated	30%	10,980	9,882	10,980	9,411
Vehicles	30%	59,922	56,986	59,922	55,727
Leasehold improvements	5 Yr S.L.	205,691	183,316	205,691	168,025
Leasehold improvements - donated	5 Yr S.L.	58,958	58,958	58,958	58,958
		<b>870,973</b>	<b>734,713</b>	865,588	682,696
Net book value - operating fund			<b>\$ 136,260</b>		\$ 182,892
<b>Housing Fund</b>					
2384 Queensway - land		1,569,411	-	-	-
92 Mill Street - land		232,627	-	232,627	-
2384 Queensway - building	4%	6,277,645	125,553	-	-
92 Mill Street - building	4%	535,251	51,830	535,251	31,687
Equipment under capital lease	20%	99,000	27,720	99,000	9,900
Office equipment	20%	52,179	37,432	52,179	33,573
Vehicles	30%	101,072	82,422	101,072	74,429
		<b>8,867,185</b>	<b>324,957</b>	1,020,129	149,589
Net book value - housing fund			<b>\$ 8,542,228</b>		\$ 870,540

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS  
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## 6. INTANGIBLE ASSET

	Annual Amortization Rates	<u>2020</u>		<u>2019</u>	
		Cost	Accumulated Amortization	Cost	Accumulated Amortization
Website	5 Yr S.L.	\$ 46,253	\$ 44,989	\$ 46,253	\$ 42,910
Net book value			\$ 1,264		\$ 3,343

## 7. BANK INDEBTEDNESS

The Organization has access to credit facilities from a financial institution consisting of one revolving floating-rate demand loan with a credit limit of \$1,750,000 and bearing interest at prime plus 1%, one non-revolving floating-rate demand loan with a credit limit of \$1,500,000 and bearing interest at prime plus 1%, one non-revolving term loan equal to \$800,000 and bearing interest at prime plus 1%, and one non-revolving fixed-rate term loan which is described in Note 12.

The revolving floating-rate demand loan / line of credit is secured by an assignment of mortgages receivable made by the Organization, and specific assignment of the Organization's primary bank account where all mortgage receivable payments are deposited. As at December 31, 2020, the line of credit balance outstanding amounted to \$1,483,187.

The non-revolving floating-rate demand loan / land loan is secured by a \$4,550,000 business promissory note made by the Organization, first mortgage and assignment of rents in the amount of \$3,480,000 made by the Organization over all legal and beneficial interest in a specific property, title and property insurance, environmental indemnity agreement with respect to specific property, and specific assignment of the Organization's primary bank account where all payment and collections associated with the specific property are deposited. As at December 31, 2020, the land loan balance outstanding amounted to \$1,400,000.

The non-revolving term loan / land mortgage is repayable on demand and due within twelve months of the advance date. The loan is secured by continuing collateral first ranking mortgage in the amount of \$9,300,000 over specific property, continuing ranking first general assignment of rents in respect of the property, postponement agreement with subsequent mortgages, title insurance, and environmental indemnity agreement with respect to specific property. As at December 31, 2020, the land mortgage balance outstanding amounted to \$800,000.

In addition to the specific security described above, all credit facilities are secured by a general security agreement creating a first fixed and floating charge over all present and after acquired personal property. first mortgage and assignment of rents in the amount of \$9,300,000 made by the Organization over all legal and beneficial interest in a specific property, and an environmental indemnity agreement with respect to specific property.

The credit facilities agreement requires maintaining of financial covenants including: overall debt service coverage ratio of a minimum of 1.50, leverage ratio not exceeding 2:1, and a debt service coverage ratio on the Plains Road property of a minimum of 1.0. As at December 31, 2020, the Organization is in compliance with its bank covenants.

The Organization also has access to an overdraft with another financial institution to a maximum of \$107,655. As at December 31, 2020, the overdraft balance amounted to \$2,965 (2019 - \$2,273).



# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

## 8. DEFERRED DEVELOPMENT CHARGES

As part of a government funding program agreement, the Organization is liable to The Regional Municipality of Halton for development charges on a particular property in the amount of \$261,078. The amount owing is payable without interest over a term of 10 years, in equal annual payments of \$26,108.

As at December 31, 2020, deferred development charges remaining payable amounted to \$208,862, with \$26,108 payable prior to January 1, 2022, and the remaining balance of \$182,754 payable thereafter.

## 9. DEFERRED DONATIONS

Deferred donations pertain to specific restricted donations related to contributed capital assets. The restricted deferred donations related to capital assets are amortized into revenue on the same basis as the related capital assets contributed are depreciated at the rates indicated in Note 5. The changes in the deferred donations balance is as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 16,251	\$ 26,845
Less: amount amortized and included in revenue in the year	(5,966)	(10,594)
Balance, end of year	10,285	16,251
Less: current portion	(2,877)	(3,807)
Long-term portion	\$ 7,408	\$ 12,444

As at December 31, 2020, deferred grants related to capital assets amounted to \$10,285 (2019 - \$16,251).

## 10. DEFERRED GRANTS

Deferred grants pertain to grants received and restricted for the purchase of a vehicle, to assist with leasehold improvements and certain other capital assets. The grant amounts are amortized into revenue on the same basis as the related capital assets purchased are depreciated at the rates indicated in Note 5. Deferred grants related to expenses will be recognized in revenue when the expenses occur. The changes in the deferred grant revenue balance is as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 17,830	\$ 49,937
Less: amount amortized and included in revenue in the year	(2,196)	(32,107)
Balance, end of year	15,634	17,830
Less: current portion	(1,748)	(2,196)
Long-term portion	\$ 13,886	\$ 15,634

As at December 31, 2020, deferred grants related to capital assets amounted to \$15,634 (2019 - \$17,830).

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

## 11. OBLIGATION UNDER CAPITAL LEASES

The following is a schedule of minimum lease payments under the capital lease relating to the operating fund expiring in May 2022, together with the balance of the obligation:

Year ending December 31, 2021	\$ 5,527
2022	<u>2,303</u>
Total minimum lease payments	7,830
Less amount representing interest at 4.2%	<u>(409)</u>
	7,421
Less current portion	<u>(5,310)</u>
	<u>\$ 2,111</u>

The following is a schedule of minimum lease payments under the capital lease relating to the housing fund expiring in November 2024, together with the balance of the obligation:

Year ending December 31, 2021	\$ 23,833
2022	23,833
2023	23,833
2024	<u>21,847</u>
Total minimum lease payments	93,346
Less amount representing interest at 7.845%	<u>(15,000)</u>
	78,346
Less current portion	<u>(18,269)</u>
	<u>\$ 60,077</u>

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

## 12. MORTGAGE PAYABLE

	<u>2020</u>	<u>2019</u>
Mortgage payable - interest at 4.6%, payable in monthly instalments of \$10,343 including principal and interest, maturing March 2023	\$ 1,759,347	\$ 1,782,089
Less: current portion	(44,895)	(43,801)
Long-term portion	<u>\$ 1,714,452</u>	<u>\$ 1,738,288</u>

The mortgage payable is secured by a \$1,850,000 business promissory note made by the Organization, first mortgage and assignment of rents in the amount of \$9,300,000 made by the Organization over all legal and beneficial interest in a specific property, title and property insurance and specific assignment of the Organization's primary bank account where all rents are collected from a specific property.

Principal repayments required until maturity are as follows:

2021	\$ 44,895
2022	43,257
2023	<u>1,667,487</u>
	<u>\$ 1,755,639</u>

## 13. CONTINGENCIES

The Organization is contingently liable for standby letters of credit totaling \$117,020 (2019 - \$117,020).

The Organization is contingently liable for mortgage receivable payments received from homeowners under the new first mortgage policy adopted in 2016, since the payments are refundable if the homeowner decides to sell the home and the Organization exercises its right of first refusal to repurchase the home for the initial sale price. As at December 31, 2020, total mortgage payments received under this agreement amounted to \$41,224 (2019 - \$30,560).

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

## 14. COMMITMENTS

The Organization has entered into lease agreements for its facilities. These leases expire between December 2021 and February 2026 and require the following annual payments:

2021	\$ 676,416
2022	746,259
2023	481,395
2024	215,678
2025	222,262
2026	<u>37,044</u>
	<u>\$ 2,379,054</u>

During the year, operating lease agreements for specific vehicles expired and there are no remaining payments required (2019 - \$29,064).

During the 2018 fiscal year, the Organization entered into an agreement to purchase a residential unit, which has not yet closed. The purchase price of the unit is \$250,000, for which a deposit of \$27,500 has been paid at December 31, 2020.

## 15. SUPPLEMENTAL INFORMATION TO STATEMENT OF CASH FLOWS

During the year, land and building in the amount of \$7,847,056 was transferred from properties in progress and held for sale to capital assets.

# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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## 16. FINANCIAL RISK MANAGEMENT

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk since changes in interest rates may impact the Organization's future borrowing costs. As at December 31, 2020, total debt subject to floating interest rates amounted to \$3,683,187, as described in Note 7. The Organization does not use any derivative instrument to reduce its exposure to interest rate risk.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Organization's market risk relates to its investment in marketable securities as these investments are subject to price changes in an open market. The Organization does not use derivative financial instruments to alter the effects of this risk due to the insignificant amount invested in marketable securities.

(c) 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's main credit risks relate to its accounts receivable and mortgages receivable. The Organization is not exposed to significant credit risk as it only invests in highly rated investments, monitors credit to its clients in the normal course of operations and mortgages receivable are secured by the property for which the mortgage is held.

(d) Other risks:

It is management's opinion that the Organization is not exposed to significant currency or liquidity risks arising from its financial instruments.

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# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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## 17. IMPACT OF COVID-19 PANDEMIC

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses 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 nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The Organization has determined that adjustments to the financial statements are not required as a result of these events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains 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.

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## 18. COVID RELATED GOVERNMENT RELIEF PROGRAMS

### ***Canada Emergency Wage Subsidy***

For the current year, the Organization met the criteria to qualify and applied for \$478,994 under the Canada Emergency Wage Subsidy ("CEWS") as a result of their decline in revenue attributed to the COVID-19 pandemic. Of this amount, \$106,494 is included in accounts receivable at December 31, 2020. Entities must satisfy certain eligibility criteria, including among others a significant decline in revenue as compared to earlier periods.

### ***Canada Emergency Rent Subsidy***

The Canada Emergency Rent Subsidy ("CERS") subsidizes commercial real estate expenses incurred by businesses negatively affected by COVID-19. It is intended to support businesses, charities, and non-profits that have suffered a revenue drop by subsidizing a percentage of their expenses, on a sliding scale, up to a maximum of 65% of eligible expenses until December 19, 2020. Businesses subject to a public health restriction are entitled to a "top-up" of 25% of qualifying rent expenses throughout any qualifying period in which such restrictions are in place. Organizations would be able to make claims retroactively for the period that began September 27, 2020.

For the current year, the Organization met the criteria to qualify and applied for \$35,813 under the CERS program, all of which is included in accounts receivable at December 31, 2020.

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## 19. SUBSEQUENT EVENTS

Subsequent to the close of business on December 31, 2020, the Organization entered into an agreement to assume the lease for the Orangeville Restore from Habitat for Humanity Wellington Dufferin Guelph and the Orangeville Restore will continue operations as part of Habitat for Humanity Halton/Mississauga.

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# HABITAT FOR HUMANITY HALTON/MISSISSAUGA

SCHEDULE OF RESTORE OPERATIONS  
YEARS ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
<b>REVENUE</b>	<b>\$ 4,094,530</b>	<b>\$ 4,654,282</b>
<b>EXPENSES</b>		
Advertising and promotion	1,363	8,928
Bank charges and interest	100,960	104,704
Depreciation	20,266	67,741
Facilities	833,600	1,064,552
Habitat for Humanity Canada affiliation fees	161,237	181,012
Insurance	8,662	9,744
Office and miscellaneous	99,553	124,428
Personnel	1,299,103	1,552,893
Vehicle expenses	158,004	214,695
Volunteer expenses	4,863	20,698
	<b>2,687,611</b>	<b>3,349,395</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 1,406,919</b>	<b>\$ 1,304,887</b>