# HABITAT FOR HUMANITY HALTON-MISSISSAUGA-DUFFERIN

Financial Statements
for the Year Ended December 31, 2023
and Independent Auditor's Report to the Directors

# HABITAT FOR HUMANITY HALTON-MISSISSAUGA-DUFFERIN

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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CHARTERED PROFESSIONAL ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**

**To the Directors of**
**Habitat for Humanity Halton-Mississauga-Dufferin:**

**Qualified Opinion**

We have audited the financial statements of Habitat for Humanity Halton-Mississauga-Dufferin (the Organization), which comprise the statement of financial position as at December 31, 2023 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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Basis for Qualified Opinion**

In common with many not-for-profit organizations, the Organization derives revenue from donations and ReStore sales, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the audit. Accordingly, the evidence obtained 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 have been found necessary with respect to revenue, expenses, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2023 and 2022, assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our conclusion on the financial statements as at and for the year ended December 31, 2022 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 in our audit 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.

Durward Jones Barkwell + Company LLP

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

**May 29, 2024**

# HABITAT FOR HUMANITY HALTON-MISSISSAUGA-DUFFERIN

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2023

| | 2023 Housing Fund | 2023 Operating Fund | 2023 Total | 2022 Total |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Amortization of deferred donations (Note 9) | $ 11,175 | $ 1,868 | $ 13,043 | $ 18,441 |
| Amortization of deferred grants (Note 10) | - | 825 | 825 | 1,140 |
| Donations - cash | 560,619 | 205,948 | 766,567 | 1,108,726 |
| Donations - in kind | 148,533 | 7,802 | 156,335 | 31,419 |
| Other income | - | 900 | 900 | 18,390 |
| Rental | - | 355,360 | 355,360 | 342,193 |
| ReStore revenue - Page 18 | - | 5,955,319 | 5,955,319 | 6,391,895 |
| | 720,327 | 6,528,022 | 7,248,349 | 7,912,204 |
| **EXPENSES** | | | | |
| Amortization | - | 4,158 | 4,158 | 1,046 |
| Bank charges and interest | - | 11,887 | 11,887 | 11,624 |
| Community awareness and education | - | 366 | 366 | 5,981 |
| Depreciation | 388,943 | 12,785 | 401,728 | 426,298 |
| Facilities | - | 71,917 | 71,917 | 71,487 |
| Family partnering program | 93,286 | 303,119 | 396,405 | 247,755 |
| Habitat for Humanity Canada affiliation fees | 82,364 | 25,000 | 107,364 | 202,276 |
| Insurance | - | 36,975 | 36,975 | 41,848 |
| Interest on mortgages payable | 219,959 | - | 219,959 | - |
| Interest on obligation under capital leases | 1,540 | 2,796 | 4,336 | 5,686 |
| Office and miscellaneous | - | 112,789 | 112,789 | 31,137 |
| Personnel (program and administration) | - | 799,773 | 799,773 | 773,451 |
| Professional fees | - | 412,948 | 412,948 | 316,587 |
| ReStore expenses - Page 18 | - | 4,569,950 | 4,569,950 | 4,220,961 |
| Resource development | - | 319,912 | 319,912 | 273,600 |
| Sales tax not recovered (Note 19) | - | 67 | 67 | 89,871 |
| Tithe for international projects | - | 14,605 | 14,605 | 8,184 |
| Volunteer | - | - | - | 5,040 |
| | 786,092 | 6,699,047 | 7,485,139 | 6,732,832 |
| **EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE (EXPENSES)** | (65,765) | (171,025) | (236,790) | 1,179,372 |
| **OTHER REVENUE (EXPENSES)** | | | | |
| Adjustment of mortgages receivable discount | 111,410 | - | 111,410 | 54,099 |
| Canada Emergency Wage Subsidy | 3,413 | 23,173 | 26,586 | - |
| Canada Summer Jobs Wage Subsidy | 99,823 | - | 99,823 | 133,187 |
| Donation of Tiny Homes | (574,701) | - | (574,701) | (398,775) |
| Gain on repayment of mortgages receivable | - | - | - | 76,863 |
| Loss on disposal of capital assets | (4,144) | - | (4,144) | - |
| Unrealized change in value of marketable securities | 3,228 | - | 3,228 | (1,918) |
| | (360,971) | 23,173 | (337,798) | (136,544) |
| **EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES** | $ (426,736) | $ (147,852) | $ (574,588) | $ 1,042,828 |

# HABITAT FOR HUMANITY HALTON-MISSISSAUGA-DUFFERIN

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023

| | 2023 Housing Fund | 2023 Operating Fund | 2023 Total | 2022 Total |
|---|---|---|---|---|
| Balance, beginning of year | **$ 15,612,933** | **$ 527,344** | **$ 16,140,277** | $ 15,097,449 |
| Excess (deficiency) of revenue over expenses | **(426,736)** | **(147,852)** | **(574,588)** | 1,042,828 |
| Balance, end of year | **$ 15,186,197** | **$ 379,492** | **$ 15,565,689** | $ 16,140,277 |

# HABITAT FOR HUMANITY HALTON-MISSISSAUGA-DUFFERIN

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

| | 2023 Housing Fund | 2023 Operating Fund | 2023 Total | 2022 Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash | $ 68,676 | $ 354,828 | $ 423,504 | $ 699,201 |
| Due from Housing Fund | - | 108,773 | 108,773 | 1,162,087 |
| Marketable securities | 26,294 | - | 26,294 | 22,439 |
| Accounts receivable (Note 2) | 34,726 | 153,720 | 188,446 | 154,808 |
| Properties in progress and held for sale (Note 3) | 8,787,346 | - | 8,787,346 | 8,719,068 |
| Prepaid expenses and deposits | 15,774 | 308,814 | 324,588 | 262,975 |
| Current portion of mortgages receivable | 250,783 | - | 250,783 | 149,136 |
| | 9,183,599 | 926,135 | 10,109,734 | 11,169,714 |
| **Mortgages receivable** (Note 4) | 1,290,247 | - | 1,290,247 | 1,426,076 |
| **Capital assets** (Note 5) | 11,462,833 | 210,694 | 11,673,527 | 11,972,228 |
| **Intangible asset** (Note 6) | - | 37,417 | 37,417 | - |
| | $21,936,679 | $ 1,174,246 | $23,110,925 | $24,568,018 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Bank indebtedness (Note 7) | $ 756,180 | $ - | $ 756,180 | $ 652,870 |
| Due to Operating Fund | 108,773 | - | 108,773 | 1,162,087 |
| Accounts payable and accrued liabilities | 63,981 | 720,257 | 784,238 | 540,800 |
| Deferred contributions from partner families (Note 3) | 1,096,979 | - | 1,096,979 | 862,496 |
| Current portion of deferred development charges | 26,108 | - | 26,108 | 26,108 |
| Current portion of deferred donations | 7,823 | 1,273 | 9,096 | 12,840 |
| Current portion of deferred grants | - | 649 | 649 | 1,082 |
| Current portion of obligation under capital leases | - | 11,982 | 11,982 | 21,309 |
| Current portion of mortgages payable | 92,714 | - | 92,714 | 382,819 |
| | 2,152,558 | 734,161 | 2,886,719 | 3,662,411 |
| **Deferred development charges** (Note 8) | 78,323 | - | 78,323 | 104,431 |
| **Deferred donations** (Note 9) | 18,252 | 1,380 | 19,632 | 28,931 |
| **Deferred grants** (Note 10) | - | 11,441 | 11,441 | 11,833 |
| **Obligation under capital leases** (Note 11) | - | 47,772 | 47,772 | 17,324 |
| **Mortgages payable** (Note 12) | 4,501,349 | - | 4,501,349 | 4,602,811 |
| **Contingencies** (Note 13) **and Commitments** (Note 14) | | | | |
| | 6,750,482 | 794,754 | 7,545,236 | 8,427,741 |
| **NET ASSETS** | | | | |
| **Housing Fund** | 15,186,197 | - | 15,186,197 | 15,612,933 |
| **Operating Fund** | - | 379,492 | 379,492 | 527,344 |
| | 15,186,197 | 379,492 | 15,565,689 | 16,140,277 |
| | $21,936,679 | $ 1,174,246 | $23,110,925 | $24,568,018 |

Approved by the Board:

.................................................................... Director .................................................................... Director

# HABITAT FOR HUMANITY HALTON-MISSISSAUGA-DUFFERIN

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

| | 2023 Housing Fund | 2023 Operating Fund | 2023 Total | 2022 Total |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Excess (deficiency) of revenue over expenses | $ (426,736) | $ (147,852) | $ (574,588) | $ 1,042,828 |
| Items not affecting cash | | | | |
| Amortization of deferred donations | (11,175) | (1,868) | (13,043) | (18,441) |
| Amortization of deferred grants | - | (825) | (825) | (1,140) |
| Amortization | - | 4,158 | 4,158 | 1,046 |
| Depreciation | 388,943 | 56,400 | 445,343 | 457,952 |
| Adjustment of mortgages receivable discount | (111,410) | - | (111,410) | (54,099) |
| Donation of Tiny Homes | 574,701 | - | 574,701 | 398,775 |
| Gain on repayment of mortgages receivable | - | - | - | (76,863) |
| Loss on disposal of capital assets | 4,144 | - | 4,144 | - |
| Unrealized change in value of marketable securities | (3,228) | - | (3,228) | 1,918 |
| | 415,239 | (89,987) | 325,252 | 1,751,976 |
| Changes in non-cash operating assets and liabilities | | | | |
| Due from Housing Fund to Operating Fund | - | 1,053,314 | 1,053,314 | (483,591) |
| Accounts receivable | 96,280 | (129,918) | (33,638) | (65,391) |
| Prepaid expenses and deposits | - | (61,613) | (61,613) | 47,313 |
| Due to Operating Fund from Housing Fund | (1,053,314) | - | (1,053,314) | 483,591 |
| Accounts payable and accrued liabilities | 32,913 | 210,525 | 243,438 | (60,100) |
| Deferred contributions from partner families | 234,483 | - | 234,483 | 166,973 |
| | (274,399) | 982,321 | 707,922 | 1,840,771 |
| **INVESTING ACTIVITIES** | | | | |
| Net increase in marketable securities | (627) | - | (627) | - |
| Properties in progress and held for sale | (642,979) | - | (642,979) | (1,040,419) |
| Repayments of mortgages receivable | 145,592 | - | 145,592 | 218,201 |
| Purchase of capital assets | (34,967) | (89,906) | (124,873) | (278,231) |
| Proceeds on disposal of capital assets | 39,360 | - | 39,360 | - |
| Purchase of intangible asset | - | (41,575) | (41,575) | - |
| | (493,621) | (131,481) | (625,102) | (1,100,449) |
| **FINANCING ACTIVITIES** | | | | |
| Repayment of deferred development charges | (26,108) | - | (26,108) | (26,108) |
| Repayments of obligation under capital leases | (29,835) | (14,317) | (44,152) | (21,516) |
| Repayments of mortgages payable | (391,567) | - | (391,567) | (98,662) |
| | (447,510) | (14,317) | (461,827) | (146,286) |
| **INCREASE (DECREASE) IN CASH** | (1,215,530) | 836,523 | (379,007) | 594,036 |
| **CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR** | 528,026 | (481,695) | 46,331 | (547,705) |
| **CASH (BANK INDEBTEDNESS), END OF YEAR** | $ (687,504) | $ 354,828 | $ (332,676) | $ 46,331 |
| **CASH IS REPRESENTED BY:** | | | | |
| Cash | $ 68,676 | $ 354,828 | $ 423,504 | $ 699,201 |
| Bank indebtedness (Note 7) | 756,180 | - | 756,180 | 652,870 |
| | $ (687,504) | $ 354,828 | $ (332,676) | $ 46,331 |

Supplemental information is provided in Note 15.

## 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 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, City of Mississauga and County of Dufferin 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 reasonable 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 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.

***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***

The Organization writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Organization's ability to provide goods and services. The assets are also written-down when the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When the Organization determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value or replacement cost.

***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.

External events such as domestic and international pandemics, geopolitical unrest, natural disasters, climate change or inflationary pressures may cause economic uncertainty for many organizations. Management assesses available information about the future, considers the possible outcomes, and develops a planned response to mitigate the effect of significant events or changes in conditions impacting the Organization. Although it is not guaranteed that these efforts will be successful, management is of the opinion that the actions that the Organization has taken are sufficient to mitigate these uncertainties.

***Financial instruments***

**(a) Measurement of financial instruments**

**Initial measurement**

The Organization initially measures its financial assets and liabilities originated or exchanged in arm’s length transactions at fair value.

**Subsequent measurement**

The Organization subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the period incurred.

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 3% (2022 - 3%). 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, 3% is considered to be an appropriate discount rate.

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

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities and mortgages payable.

Financial assets measured at fair value include marketable securities.

**(b) Transaction costs**

Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

**(c) Impairment**

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there are, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

## 2. ACCOUNTS RECEIVABLE

| | 2023 | | | 2022 |
|---|---|---|---|---|
| | **Housing Fund** | **Operating Fund** | **Total** | Total |
| Accounts receivable | **$ 1,455** | **$ 8** | **$ 1,463** | $ 1,455 |
| Sales tax recoverable | **33,271** | **153,712** | **186,983** | 153,353 |
| | **$ 34,726** | **$ 153,720** | **$ 188,446** | $ 154,808 |

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

As at December 31, 2023, five properties were held, of which four properties were completed and pending ownership transfer on a rent-to-own basis, and one other property was 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.

The Organization also has various tiny homes in progress.

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, 2023, total payments received under the rent-to-own agreements, presented as deferred contributions from partner families, amounted to $1,096,979 (2022 - $862,496).

During the year, interest capitalized to properties in progress amounted to $Nil (2022 - $204,427).

## 4. MORTGAGES RECEIVABLE

| | 2023 | 2022 |
|---|---|---|
| Non-interest bearing first mortgages receivable, secured by various properties, repayable in monthly instalments and maturing on various dates between April 2031 and December 2043 | **$ 1,838,650** | $ 1,984,241 |
| Less: unamortized discount (Note 1) | **(329,970)** | (440,431) |
| | **1,508,680** | 1,543,810 |
| Non-interest bearing second mortgage receivable, secured by a specific property, repayable when the home changes title or ninety-nine years from registration | **45,160** | 45,160 |
| Less: unamortized discount (Note 1) | **(42,079)** | (42,169) |
| | **3,081** | 2,991 |
| Non-interest bearing third mortgages receivable, secured by various properties, repayable when the home changes title or ninety-nine years from registration | **407,466** | 407,466 |
| Less: unamortized discount (Note 1) | **(378,197)** | (379,055) |
| | **29,269** | 28,411 |
| Total | **1,541,030** | 1,575,212 |
| Less: current portion | **(250,783)** | (149,136) |
| Long-term portion | **$ 1,290,247** | $ 1,426,076 |

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 the Organization 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-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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:

| | **2023** | 2022 |
|---|---|---|
| Second mortgages | **$ 330,000** | $ 330,000 |

## 5. CAPITAL ASSETS

| | Annual Depreciation Rate | **2023** Cost | **2023** Accumulated Depreciation | 2022 Cost | 2022 Accumulated Depreciation |
|---|---|---|---|---|---|
| **Operating Fund** | | | | | |
| Office equipment | 20%-30% | **$ 241,490** | **$ 190,606** | $ 213,959 | $ 180,580 |
| Office equipment - donated | 20% | **95,354** | **89,603** | 95,354 | 87,907 |
| Equipment | 20% | **43,668** | **33,160** | 40,156 | 30,972 |
| Computer equipment | 30% | **187,611** | **158,844** | 175,042 | 149,209 |
| Computer equipment - donated | 30% | **1,050** | **1,024** | 1,050 | 1,013 |
| Computer equipment under capital lease | 30% | **65,273** | **9,791** | - | **-** |
| Computer software | 30% | **23,482** | **23,430** | 23,482 | 23,408 |
| Computer software - donated | 30% | **10,980** | **10,603** | 10,980 | 10,442 |
| Vehicles | 30% | **59,922** | **58,915** | 59,922 | 58,484 |
| Leasehold improvements | 5 Yr S.L. | **295,847** | **238,007** | 250,377 | 216,392 |
| Leasehold improvements - donated | 5 Yr S.L. | **58,958** | **58,958** | 58,958 | 58,958 |
| | | **$ 1,083,635** | **872,941** | $ 929,280 | 817,365 |
| Net book value - operating fund | | | **$ 210,694** | | $ 111,915 |
| **Housing Fund** | | | | | |
| 2384 Queensway - land | | **$ 1,569,411** | **$ -** | $ 1,569,411 | $ - |
| 3075 Merritt Ave - land | | **627,000** | - | 627,000 | - |
| 92 Mill Street - land | | **232,627** | **-** | 232,627 | - |
| 2384 Queensway - building | 4% | **6,999,742** | **896,421** | 6,960,120 | 642,941 |
| 3075 Merritt Ave - building | 4% | **2,725,302** | **260,024** | 2,724,018 | 157,331 |
| 92 Mill Street - building | 4% | **532,251** | **107,431** | 535,251 | 89,730 |
| Equipment under capital lease | 20% | **-** | **-** | 99,000 | 53,381 |
| Office equipment | 20% | **52,179** | **44,276** | 52,179 | 42,300 |
| Vehicles | 30% | **163,679** | **131,206** | 163,679 | 117,289 |
| | | **$12,902,191** | **1,439,358** | $12,963,285 | 1,102,972 |
| Net book value - housing fund | | | **$11,462,833** | | $11,860,313 |

# HABITAT FOR HUMANITY HALTON-MISSISSAUGA-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

## 6. INTANGIBLE ASSET

| | Annual Amortization Rate | 2023 Cost | 2023 Accumulated Amortization | 2022 Cost | 2022 Accumulated Amortization |
|---|---|---|---|---|---|
| Website | 5 Yr S.L. | **$ 41,575** | **$ 4,158** | $ 46,253 | $ 46,253 |
| Net book value | | | **$ 37,417** | | $ - |

## 7. BANK INDEBTEDNESS

The Organization has access to credit facilities from a financial institution consisting of the following:

1. One revolving floating-rate demand loan with a credit limit of the lesser of $1,750,000 or 65% of the mortgage receivables, and bearing interest at prime plus 1% (Mortgage Receivables LOC);
2. One line of credit equal to $800,000 and bearing interest at prime plus 1% (Merritt LOC).

The Mortgage Receivables LOC is secured by the Organization's mortgage receivables on specific properties, the details of which can be found in Note 4. As at December 31, 2023, the balance outstanding on this Mortgage Receivables LOC amounted to $(4,665) (2022 - $1,145).

The Merritt LOC is repayable on demand and due within twelve months of the advance date. The line of credit is secured by a general security agreement and rents. As at December 31, 2023, the Merritt LOC balance outstanding amounted to $756,180 (2022 - $651,725).

In addition to the above noted specific security, these facilities are subject to the overall lending facility agreement, the details of which are included in Note 12 (Mortgages Payable).

As at December 31, 2023, the Organization is not in compliance with its bank covenants.

## 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, 2023, deferred development charges remaining payable amounted to $104,431, with $26,108 payable prior to January 1, 2025, and the remaining balance of $78,323 payable thereafter.

# HABITAT FOR HUMANITY HALTON-MISSISSAUGA-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

## 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:

| **Operating Fund** | **2023** | 2022 |
|---|---|---|
| Balance, beginning of year | **$ 4,521** | $ 6,997 |
| Less: amount amortized and included in revenue in the year | **(1,868)** | (2,476) |
| Balance, end of year | **2,653** | 4,521 |
| Less: current portion | **(1,273)** | (1,664) |
| Long-term portion | **$ 1,380** | $ 2,857 |

| **Housing Fund** | **2023** | 2022 |
|---|---|---|
| Balance, beginning of year | **$ 37,250** | $ 53,215 |
| Less: amount amortized and included in revenue in the year | **(11,175)** | (15,965) |
| Balance, end of year | **26,075** | 37,250 |
| Less: current portion | **(7,823)** | (11,176) |
| Long-term portion | **$ 18,252** | $ 26,074 |

As at December 31, 2023, deferred donations related to capital assets amounted to $28,728 (2022 - $41,771).

## 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:

| | **2023** | 2022 |
|---|---|---|
| Balance, beginning of year | **$ 12,915** | $ 14,055 |
| Less: amount amortized and included in revenue in the year | **(825)** | (1,140) |
| Balance, end of year | **12,090** | 12,915 |
| Less: current portion | **(649)** | (1,082) |
| Long-term portion | **$ 11,441** | $ 11,833 |

As at December 31, 2023, deferred grants related to capital assets amounted to $7,790 (2022 - $8,615).

# HABITAT FOR HUMANITY HALTON-MISSISSAUGA-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

## 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 June 2028, together with the balance of the obligation:

| | | |
|---|---|---|
| Year ending December 31, | 2024 | $ 16,629 |
| | 2025 | 16,629 |
| | 2026 | 16,629 |
| | 2027 | 16,629 |
| | 2028 | 4,996 |
| Total minimum lease payments | | 71,512 |
| Less amount representing interest at 8.72% | | 11,758 |
| | | 59,754 |
| Less current portion | | 11,982 |
| | | $ 47,772 |

## 12. MORTGAGES PAYABLE

| | **2023** | 2022 |
|---|---|---|
| Mortgage payable - interest at 5.9%, payable in monthly instalments of $9,539 including principal and interest, maturing March 2028 | **$ 1,328,917** | $ 1,667,487 |
| Mortgage payable - interest at 2.5%, payable in monthly instalments of $11,243 including principal and interest, maturing January 2026 | **3,265,146** | 3,318,143 |
| Balance, end of year | **4,594,063** | 4,985,630 |
| Less: current portion | **(92,714)** | (382,819) |
| Long-term portion | **$ 4,501,349** | $ 4,602,811 |

The mortgage payable of $1,328,917 is secured by a $1,850,000 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 and specific assignment of the Organization's primary bank account where all rents are collected from a specific property.

The mortgage payable of $3,265,146 is secured by a general security agreement securing all inventory, equipment, vehicles, book debts and other amounts of any nature or kind arising from the Queensway Lands.

Principal repayments required over the next five years are as follows:

| | |
|---|---|
| 2024 | $ 92,714 |
| 2025 | 96,386 |
| 2026 | 3,198,245 |
| 2027 | 45,705 |
| 2028 | 1,161,013 |
| | $ 4,594,063 |

# HABITAT FOR HUMANITY HALTON-MISSISSAUGA-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

## 13. CONTINGENCIES

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, 2023, total mortgage payments received under this agreement amounted to $65,979 (2022 - $57,208).

## 14. COMMITMENTS

The Organization has entered into lease agreements for its facilities. These leases expire between February 2026 and August 2028 and require the following annual payments:

| | |
|---|---|
| 2024 | $ 958,522 |
| 2025 | 976,082 |
| 2026 | 531,957 |
| 2027 | 358,778 |
| 2028 | 242,865 |
| | $ 3,068,204 |

## 15. SUPPLEMENTAL INFORMATION TO STATEMENT OF CASH FLOWS

During the year, the Organization acquired equipment under capital lease in the amount of $65,273, with a corresponding increase in obligation under capital lease of the same amount.

## 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, 2023, total debt subject to floating interest rates amounted to $756,180, 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.

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

## 17. COVID RELATED GOVERNMENT RELIEF PROGRAMS

During the year, the Organization received $26,586 (2022 - $Nil) under the Canada Emergency Wage Subsidy ("CEWS") as a result of a recalculation of subsidy entitlements for decline in revenue in prior years attributed to the COVID-19 pandemic. Entities must satisfy certain eligibility criteria, including among others a significant decline in revenue as compared to earlier periods.

## 18. SUBSEQUENT EVENT

On March 27, 2024, the Organization received approval from the Ministry of Labour, Immigration, Training and Skills Development for a Skills Development Fund Training Stream application. As a result of the approval, the Organization will receive funding in the amount of $1,000,000 for use in the Youth Skilled Trades Building Program.

## 19. COMPARATIVE FIGURES

In the Statement of Operations, the prior year figure for sales tax not recovered represents the entire non-recoverable portion of sales tax expensed during the year, whereas the current year figure for sales tax not recovered has been allocated to the related expense accounts.

# HABITAT FOR HUMANITY HALTON-MISSISSAUGA-DUFFERIN

SCHEDULE OF RESTORE OPERATIONS
YEARS ENDED DECEMBER 31, 2023

| | 2023 | 2022 |
|---|---|---|
| **REVENUE** | **$ 5,955,319** | $ 6,391,895 |
| **EXPENSES** | | |
| Advertising and promotion | **12,683** | 7,880 |
| Bank charges and interest | **133,043** | 142,243 |
| Depreciation | **43,615** | 31,654 |
| Facilities | **1,627,595** | 1,375,438 |
| Habitat for Humanity Canada affiliation fees | **234,701** | 249,640 |
| Insurance | **9,970** | 13,165 |
| Personnel | **2,145,032** | 2,092,534 |
| Professional fees | **21,633** | 1,902 |
| Salvage | **-** | 3,043 |
| Storage | **84,750** | 24,532 |
| Supplies | **63,494** | 51,825 |
| Vehicle | **193,434** | 223,659 |
| Volunteer | **-** | 3,446 |
| | **4,569,950** | 4,220,961 |
| **EXCESS OF REVENUE OVER EXPENSES** | **$ 1,385,369** | $ 2,170,934 |