HABITAT FOR HUMANITY HALTON/MISSISSAUGA

Financial Statements
for the Year Ended December 31, 2022
and Independent Auditor's Report to the Directors

DURWARD JONES BARKWELL & COMPANY LLP Chartered Professional Accountants

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

FINANCIAL STATEMENTS
DECEMBER 31, 2022

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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, 2022 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, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many 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, 2022 and 2021, assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

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

June 15, 2023

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022

	2022 Housing Fund	2022 Operating Fund	2022 Total	2021 Total
REVENUE				
Amortization of deferred donations (Note 9)	$ 15,965	$ 2,476	$ 18,441	$ 12,679
Amortization of deferred grants (Note 10)	-	1,140	1,140	1,579
Donations - cash	700,229	408,497	1,108,726	1,021,378
Donations - in kind	165	31,254	31,419	26,259
Other income	-	18,390	18,390	3,111
Rental	-	342,193	342,193	306,280
ReStore revenue - Page 19	-	6,391,895	6,391,895	5,231,657
	716,359	7,195,845	7,912,204	6,602,943
EXPENSES				
Amortization	-	1,046	1,046	218
Bank charges and interest	-	11,624	11,624	14,880
Community awareness and education	-	5,981	5,981	7,647
Depreciation	416,524	9,774	426,298	370,281
Facilities	-	71,487	71,487	54,731
Family partnering program	33,718	214,037	247,755	276,329
Habitat for Humanity Canada affiliation fees	164,776	37,500	202,276	125,850
Insurance	-	41,848	41,848	32,428
Interest on obligation under capital leases	3,976	1,710	5,686	6,189
Office and miscellaneous	-	31,137	31,137	28,802
Personnel (program and administration)	-	773,451	773,451	759,697
Professional fees	-	316,587	316,587	428,485
ReStore expenses - Page 19	-	4,220,961	4,220,961	4,125,074
Resource development	14,927	258,673	273,600	486,410
Sales tax not recovered	-	89,871	89,871	97,746
Tithe for international projects	-	8,184	8,184	3,103
Vehicle	-	-	-	26,923
Volunteer	-	5,040	5,040	3,956
	633,921	6,098,911	6,732,832	6,848,749
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE (EXPENSES)	82,438	1,096,934	1,179,372	(245,806)
OTHER REVENUE (EXPENSES)				
Adjustment of mortgages receivable discount	54,099	-	54,099	(155,323)
Canada Emergency Rent Subsidy	-	-	-	183,985
Canada Emergency Wage Subsidy	-	-	-	465,213
Canada Summer Jobs Wage Subsidy	133,187	-	133,187	-
Donation of Tiny Homes	(398,775)	-	(398,775)	-
Gain on repayment of mortgages receivable	76,863	-	76,863	-
Unrealized change in value of marketable securities	(1,918)	-	(1,918)	3,505
	(136,544)	-	(136,544)	497,380
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (54,106)	$ 1,096,934	$ 1,042,828	$ 251,574

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2022

	2022			2021
	Housing Fund	**Operating Fund**	**Total**	Total
Balance, beginning of year	**$ 15,667,039**	**$ (569,590)**	**$ 15,097,449**	$ 14,845,875
Excess (deficiency) of revenue over expenses	**(54,106)**	**1,096,934**	**1,042,828**	251,574
Balance, end of year	**$ 15,612,933**	**$ 527,344**	**$ 16,140,277**	$ 15,097,449

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

	2022 Housing Fund	2022 Operating Fund	2022 Total	2021 Total
ASSETS				
Current assets				
Cash	$ 528,026	$ 171,175	$ 699,201	$ 637,844
Due from Housing Fund	-	1,162,087	1,162,087	678,496
Marketable securities	22,439	-	22,439	23,267
Accounts receivable (Note 2)	131,006	23,802	154,808	89,417
Properties in progress and held for sale (Note 3)	8,719,068	-	8,719,068	8,077,424
Prepaid expenses and deposits	15,774	247,201	262,975	310,288
Current portion of mortgages receivable	149,136	-	149,136	142,590
	9,565,449	1,604,265	11,169,714	9,959,326
Mortgages receivable (Note 4)	1,426,076	-	1,426,076	1,519,861
Capital assets (Note 5)	11,860,313	111,915	11,972,228	12,151,949
Intangible asset (Note 6)	-	-	-	1,046
	$22,851,838	$ 1,716,180	$24,568,018	$23,632,182
LIABILITIES				
Current liabilities				
Bank indebtedness (Note 7)	$ -	$ 652,870	$ 652,870	$ 1,185,549
Due to Operating Fund	1,162,087	-	1,162,087	678,496
Accounts payable and accrued liabilities	31,068	509,732	540,800	599,810
Deferred contributions from partner families (Note 3)	862,496	-	862,496	695,523
Current portion of deferred development charges	26,108	-	26,108	26,108
Current portion of deferred donations	11,176	1,664	12,840	18,149
Current portion of deferred grants	-	1,082	1,082	1,140
Current portion of obligation under capital leases	16,789	4,520	21,309	21,389
Current portion of mortgages payable	382,819	-	382,819	98,661
	2,492,543	1,169,868	3,662,411	3,324,825
Deferred development charges (Note 8)	104,431	-	104,431	130,539
Deferred donations (Note 9)	26,074	2,857	28,931	42,063
Deferred grants (Note 10)	-	11,833	11,833	12,915
Obligation under capital leases (Note 11)	13,046	4,278	17,324	38,760
Mortgages payable (Note 12)	4,602,811	-	4,602,811	4,985,631
Contingencies (Note 13) **and Commitments** (Note 14)				
	7,238,905	1,188,836	8,427,741	8,534,733
NET ASSETS				
Housing Fund	15,612,933	-	15,612,933	15,667,039
Operating Fund	-	527,344	527,344	(569,590)
	15,612,933	527,344	16,140,277	15,097,449
	$22,851,838	$ 1,716,180	$24,568,018	$23,632,182

Approved by the Board:

.... Director .... Director

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022 Housing Fund	2022 Operating Fund	2022 Total	2021 Total
OPERATING ACTIVITIES				
Excess (deficiency) of revenue over expenses	$ (54,106)	$ 1,096,934	$ 1,042,828	$ 251,574
Items not affecting cash				
Amortization of deferred donations	(15,965)	(2,476)	(18,441)	(12,679)
Amortization of deferred grants	-	(1,140)	(1,140)	(1,579)
Amortization	-	1,046	1,046	218
Depreciation	416,524	41,428	457,952	401,566
Adjustment of mortgages receivable discount	(54,099)	-	(54,099)	155,323
Gain on repayment of mortgages receivable	(76,863)	-	(76,863)	-
Donation of Tiny Homes	398,775	-	398,775	-
Unrealized change in value of marketable securities	1,918	-	1,918	(3,505)
	616,184	1,135,792	1,751,976	790,918
Changes in non-cash operating assets and liabilities				
Due from Housing Fund to Operating Fund	-	(483,591)	(483,591)	-
Accounts receivable	(65,391)	-	(65,391)	357,051
Prepaid expenses and deposits	42,431	4,882	47,313	(168,160)
Due to Operating Fund from Housing Fund	483,591	-	483,591	-
Accounts payable and accrued liabilities	(27,950)	(32,150)	(60,100)	(657,020)
Deferred contributions from partner families	166,973	-	166,973	154,819
	1,215,838	624,933	1,840,771	477,608
INVESTING ACTIVITIES				
Properties in progress and held for sale	(1,040,419)	-	(1,040,419)	(1,173,683)
Repayments of mortgages receivable	218,201	-	218,201	145,064
Purchase of capital assets	(235,423)	(42,808)	(278,231)	(624,276)
	(1,057,641)	(42,808)	(1,100,449)	(1,652,895)
FINANCING ACTIVITIES				
Advance of deferred donations	-	-	-	62,606
Repayment of deferred development charges	(26,108)	-	(26,108)	(52,214)
Repayments of obligation under capital leases	(28,655)	7,139	(21,516)	(25,618)
Advance of mortgages payable	-	-	-	3,416,482
Repayments of mortgages payable	(98,662)	-	(98,662)	(91,537)
	(153,425)	7,139	(146,286)	3,309,719
INCREASE IN CASH	4,772	589,264	594,036	2,134,432
BANK INDEBTEDNESS, BEGINNING OF YEAR	523,254	(1,070,959)	(547,705)	(2,682,137)
CASH (BANK INDEBTEDNESS), END OF YEAR	$ 528,026	$ (481,695)	$ 46,331	$ (547,705)
CASH IS REPRESENTED BY:				
Cash	$ 528,026	$ 171,175	$ 699,201	$ 637,844
Bank indebtedness (Note 7)	-	652,870	652,870	1,185,549
	$ 528,026	$ (481,695)	$ 46,331	$ (547,705)

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 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.

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.

HABITAT FOR HUMANITY HALTON/MISSISSAUGA
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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% (2021 - 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

	2022			2021
	Housing Fund	**Operating Fund**	**Total**	Total
Accounts receivable	**$ 1,455**	**$ -**	**$ 1,455**	$ 1,455
Sales tax recoverable	**129,551**	**23,802**	**153,353**	87,962
	$ 131,006	**$ 23,802**	**$ 154,808**	$ 89,417

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
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3. PROPERTIES IN PROGRESS AND HELD FOR SALE

As at December 31, 2022, 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, 2022, total payments received under the rent-to-own agreements, presented as deferred contributions from partner families, amounted to $862,496 (2021 - $695,523).

During the year, interest capitalized to properties in progress amounted to $204,427 (2021 - $131,173).

HABITAT FOR HUMANITY HALTON/MISSISSAUGA
NOTES TO THE FINANCIAL STATEMENTS
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4. MORTGAGES RECEIVABLE

	2022	2021
Non-interest bearing first mortgages receivable, secured by various properties, repayable in monthly instalments and maturing on various dates between April 2031 and August 2043	**$ 1,984,241**	$ 2,125,580
Less: unamortized discount (Note 1)	**(440,431)**	(493,609)
	1,543,810	1,631,971
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)	**(42,169)**	(42,257)
	2,991	2,903
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)	**(379,055)**	(379,889)
	28,411	27,577
Total	**1,575,212**	1,662,451
Less: current portion	**(149,136)**	(142,590)
Long-term portion	**$ 1,426,076**	$ 1,519,861

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

NOTES TO THE FINANCIAL STATEMENTS
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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:

	2022	2021
Second mortgages	**$ 330,000**	$ 405,940

5. CAPITAL ASSETS

	Annual Depreciation Rate	**2022 Cost**	**2022 Accumulated Depreciation**	2021 Cost	2021 Accumulated Depreciation
Operating Fund					
Office equipment	20%-30%	**$ 213,959**	**$ 180,580**	$ 213,959	$ 171,198
Office equipment - donated	20%	**95,354**	**87,907**	95,354	85,677
Equipment under capital lease	20%	**40,156**	**30,972**	40,156	28,676
Computer equipment	30%	**175,042**	**149,209**	162,871	140,747
Computer equipment - donated	30%	**1,050**	**1,013**	1,050	998
Computer software	30%	**23,482**	**23,408**	23,482	23,377
Computer software - donated	30%	**10,980**	**10,442**	10,980	10,211
Vehicles	30%	**59,922**	**58,484**	59,922	57,867
Leasehold improvements	5 Yr S.L.	**250,377**	**216,392**	220,770	199,258
Leasehold improvements - donated	5 Yr S.L.	**58,958**	**58,958**	58,958	58,958
		$ 929,280	**817,365**	$ 887,502	776,967
Net book value - operating fund			**$ 111,915**		$ 110,535
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%	**6,960,120**	**642,941**	6,823,934	382,562
3075 Merritt Ave - building	4%	**2,724,018**	**157,331**	2,623,751	52,475
92 Mill Street - building	4%	**535,251**	**89,730**	535,251	71,167
Equipment under capital lease	20%	**99,000**	**53,381**	99,000	41,976
Office equipment	20%	**52,179**	**42,300**	52,179	39,830
Vehicles	30%	**163,679**	**117,289**	163,679	97,408
		$12,963,285	**1,102,972**	$12,726,832	685,418
Net book value - housing fund			**$11,860,313**		$12,041,414

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. INTANGIBLE ASSET

	Annual Amortization Rate	2022 Cost	2022 Accumulated Amortization	2021 Cost	2021 Accumulated Amortization
Website	5 Yr S.L.	**$ 46,253**	**$ 46,253**	$ 46,253	$ 45,207
Net book value			**$ -**		$ 1,046

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, 2022, the balance outstanding on this Mortgage Receivables LOC amounted to $1,145 (2021 - $385,549).

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, 2022, the Merritt LOC balance outstanding amounted to $651,725 (2021 - $800,000).

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, 2022, the Organization is 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, 2022, deferred development charges remaining payable amounted to $130,539, with $26,108 payable prior to January 1, 2024, and the remaining balance of $104,431 payable thereafter.

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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	**2022**	2021
Balance, beginning of year	**$ 6,997**	$ 10,285
Less: amount amortized and included in revenue in the year	**(2,476)**	(3,288)
Balance, end of year	**4,521**	6,997
Less: current portion	**(1,664)**	(2,184)
Long-term portion	**$ 2,857**	$ 4,813

Housing Fund	**2022**	2021
Balance, beginning of year	**$ 53,215**	$ -
Add: additions	**-**	62,606
Less: amount amortized and included in revenue in the year	**(15,965)**	(9,391)
Balance, end of year	**37,250**	53,215
Less: current portion	**(11,176)**	(15,965)
Long-term portion	**$ 26,074**	$ 37,250

As at December 31, 2022, deferred donations related to capital assets amounted to $41,771 (2021 - $60,212).

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:

	2022	2021
Balance, beginning of year	**$ 14,055**	$ 15,634
Less: amount amortized and included in revenue in the year	**(1,140)**	(1,579)
Balance, end of year	**12,915**	14,055
Less: current portion	**(1,082)**	(1,140)
Long-term portion	**$ 11,833**	$ 12,915

As at December 31, 2022, deferred grants related to capital assets amounted to $12,915 (2021 - $14,055).

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 November 2024, together with the balance of the obligation:

Year ending December 31,	2023	$ 4,520
	2024	4,278
		$ 8,798

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,	2023	$ 16,789
	2024	13,046
		$ 29,835

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

12. MORTGAGES PAYABLE

	2022	2021
Mortgage payable - interest at 4.6%, payable in monthly instalments of $10,343 including principal and interest, maturing March 2023, and renewed subsequent to year end as described in Note 17	**$ 1,667,487**	$ 1,714,452
Mortgage payable - interest at 2.5%, payable in monthly instalments of $11,243 including principal and interest, maturing January 2026	**3,318,143**	3,369,840
Balance, end of year	**4,985,630**	5,084,292
Less: current portion	**(382,819)**	(98,661)
Long-term portion	**$ 4,602,811**	$ 4,985,631

The mortgage payable of $1,667,487 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 $3,318,143 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:

2023	$ 382,819
2024	54,325
2025	55,699
2026	3,155,122
2027	45,705
	$ 3,693,670

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, 2022, total mortgage payments received under this agreement amounted to $57,208 (2021 - $49,092).

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

14. COMMITMENTS

The Organization has entered into lease agreements for its facilities. These leases expire between March 2023 and April 2026 and require the following annual payments:

2023	$ 627,057
2024	484,236
2025	498,219
2026	129,851
	$ 1,739,363

15. 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, 2022, total debt subject to floating interest rates amounted to $652,870, 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.

16. IMPACT OF COVID-19 PANDEMIC

As the pandemic continues to evolve with the emergence of new variants, entities may experience conditions often associated with general economic downturn, including but not limited to, financial market volatility, declining credit, potential return of government intervention, changes in labour markets, and other restructuring activities. The continuation of these circumstances could have a negative impact on an entity's financial conditions and results. Further, inflation, supply-chain disruptions, and labour shortages are affecting companies in different industries to varying degrees.

The ongoing impact of the COVID-19 pandemic and the uncertain economic conditions affecting major markets and economies still 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.

17. SUBSEQUENT EVENT

On March 16, 2023, the Organization entered into an agreement with Vancity Community Investment Bank to renew a maturing mortgage payable described in Note 12. The mortgage renewal was in the amount of $1,350,000, with interest at 5.9% and payable in blended monthly principal and interest payments of $9,539, for a 5 year term. The difference between the outstanding balance at the time of renewal and the mortgage renewal amount paid through the line of credit.

18. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's financial statement presentation.

HABITAT FOR HUMANITY HALTON/MISSISSAUGA

SCHEDULE OF RESTORE OPERATIONS
YEARS ENDED DECEMBER 31, 2022

	2022	2021
REVENUE	**$ 6,391,895**	$ 5,231,657
EXPENSES		
Advertising and promotion	**7,880**	3,526
Bank charges and interest	**142,243**	111,148
Depreciation	**31,654**	31,285
Facilities	**1,375,438**	1,348,560
Habitat for Humanity Canada affiliation fees	**249,640**	196,268
Insurance	**13,165**	13,884
Personnel	**2,092,534**	2,071,130
Professional fees	**1,902**	-
Salvage	**3,043**	28,482
Storage	**24,532**	25,590
Supplies	**51,825**	56,212
Vehicle	**223,659**	231,535
Volunteer	**3,446**	7,454
	4,220,961	4,125,074
EXCESS OF REVENUE OVER EXPENSES	**$ 2,170,934**	$ 1,106,583