

HABITAT FOR HUMANITY NIAGARA

**AUDITORS' REPORT AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Members of Habitat for Humanity Niagara

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of Habitat for Humanity Niagara, 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 then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

The organization derives revenue from Restore sales and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to Restore sales and donation revenue, revenue over expenses, fund balances and cash flows. This issue also resulted in a qualification of the financial statements for the year ended December 31, 2022.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT - continued

Other Matter

The financial statements of Habitat for Humanity Niagara for the year ended December 31, 2022, were audited by another auditor who expressed a qualified opinion on those statements on April 19, 2023.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

Auditors' Responsibility for the Audit

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 auditors' 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.

INDEPENDENT AUDITOR'S REPORT - continued

- 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 auditors' 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 auditors' 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.

Baker Tilly Niagara LLP

Chartered Professional Accountants
Licensed Public Accountants

April 23, 2024

HABITAT FOR HUMANITY NIAGARA

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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HABITAT FOR HUMANITY NIAGARA
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2023

	2023		2022	
	<u>Housing Fund</u>	<u>Operating Fund</u>	<u>Total</u>	<u>Total</u>
REVENUES				
Home sales	\$ 2,191,575	\$ -	\$ 2,191,575	\$ 1,124,320
Cost of sales	(1,457,218)	-	(1,457,218)	(739,845)
Write-down of mortgages receivable to amortized cost (note 4)	(1,612,716)	-	(1,612,716)	(872,694)
Net loss	(878,359)	-	(878,359)	(488,219)
Donations	404,738	-	404,738	402,502
Donations in-kind	227,015	-	227,015	332,663
Grants and other revenue (note 11)	-	283,576	283,576	498,072
Government assistance	-	-	-	40,000
Restore revenue	-	2,953,983	2,953,983	2,925,880
	<u>(246,606)</u>	<u>3,237,559</u>	<u>2,990,953</u>	<u>3,710,898</u>
EXPENSES				
Advertising and promotion	-	121,031	121,031	106,056
Bank charges and interest	160,570	45,039	205,609	143,034
Computer maintenance and support	-	82,412	82,412	47,743
Conferences, meetings and training	-	73,559	73,559	97,348
Consulting fees	-	55,214	55,214	142,520
HFHC fees and tithe (note 12)	10,000	250,046	260,046	314,929
Occupancy costs	-	555,817	555,817	583,795
Office and insurance	7,631	61,037	68,668	64,230
Professional fees	2,780	52,158	54,938	32,235
Property costs	48,646	-	48,646	46,339
Salaries and benefits (note 13)	89,189	1,624,993	1,714,182	1,744,817
Supplies and equipment	-	22,885	22,885	34,200
Telephone and communications	-	29,235	29,235	30,741
Vehicle expenses	-	66,511	66,511	58,819
Waste disposal	-	15,737	15,737	18,229
	<u>318,816</u>	<u>3,055,674</u>	<u>3,374,490</u>	<u>3,465,035</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER INCOME (EXPENSES)	<u>(565,422)</u>	<u>181,885</u>	<u>(383,537)</u>	<u>245,863</u>
OTHER INCOME (EXPENSES)				
Amortization	-	(99,390)	(99,390)	(110,938)
Interest income on mortgages receivable and mortgage realization (note 4)	338,641	-	338,641	518,993
Interest income on GIC investments	-	14,528	14,528	-
	<u>338,641</u>	<u>(84,862)</u>	<u>253,779</u>	<u>408,055</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (226,781)</u>	<u>\$ 97,023</u>	<u>\$ (129,758)</u>	<u>\$ 653,918</u>

See Accompanying Notes

HABITAT FOR HUMANITY NIAGARA

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2023

	<u>Operating Fund</u>			
	<u>Housing Fund</u>	<u>Invested in Property and Equipment</u>	<u>Unrestricted</u>	<u>Total</u>
BALANCE (DEFICIT), BEGINNING	\$ 6,955,928	\$ 352,412	\$ (584,376)	\$ 6,723,964
Excess (deficiency) of revenues over expenses	(226,781)	(99,390)	196,413	(129,758)
Investment in property, plant and equipment	-	16,873	(16,873)	-
Repayment of long-term debt	-	17,306	(17,306)	-
BALANCE (DEFICIT), ENDING	<u>\$ 6,729,147</u>	<u>\$ 287,201</u>	<u>\$ (422,142)</u>	<u>\$ 6,594,206</u>

YEAR ENDED DECEMBER 31, 2022

	<u>Operating Fund</u>			
	<u>Housing Fund</u>	<u>Invested in Property and Equipment</u>	<u>Unrestricted</u>	<u>Total</u>
BALANCE (DEFICIT), BEGINNING	\$ 6,178,179	\$ 414,345	\$ (522,478)	\$ 6,070,046
Excess (deficiency) of revenues over expenses	777,749	(110,938)	(12,893)	653,918
Investment in property, plant and equipment	-	32,140	(32,140)	-
Repayment of long-term debt	-	16,865	(16,865)	-
BALANCE (DEFICIT), ENDING	<u>\$ 6,955,928</u>	<u>\$ 352,412</u>	<u>\$ (584,376)</u>	<u>\$ 6,723,964</u>

See Accompanying Notes

HABITAT FOR HUMANITY NIAGARA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

	2023		2022	
	Housing Fund	Operating Fund	Total	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ 910,882	\$ 206,107	\$ 1,116,989	\$ 1,763,809
Accounts receivable	47,386	11,971	59,357	85,047
Sales taxes recoverable	-	34,096	34,096	73,216
Prepaid expenses	14,986	29,484	44,470	69,320
Properties held for home development (note 3)	2,074,393	-	2,074,393	2,471,891
Current portion of mortgages receivable (note 4)	271,772	-	271,772	237,526
GIC investments	-	403,840	403,840	-
	3,319,419	685,498	4,004,917	4,700,809
MORTGAGES RECEIVABLE (note 4)	4,690,397	-	4,690,397	4,088,585
PROPERTY, PLANT AND EQUIPMENT (note 5)	-	287,201	287,201	369,718
	<u>\$ 8,009,816</u>	<u>\$ 972,699</u>	<u>\$ 8,982,515</u>	<u>\$ 9,159,112</u>
LIABILITIES				
CURRENT LIABILITIES				
Bank indebtedness (note 7)	\$ 1,382,000	\$ -	\$ 1,382,000	\$ 1,382,000
Accounts payable and accrued liabilities	52,342	298,942	351,284	302,746
Sales taxes payable	17,172	-	17,172	26,763
Deferred revenue	-	-	-	20,000
Interfund (receivable) payable (note 6)	(768,698)	768,698	-	-
Current portion of bank loan (note 8)	48,480	-	48,480	48,324
Current portion of long-term debt (note 9)	-	40,000	40,000	57,306
	731,296	1,107,640	1,838,936	1,837,139
Bank loan due on demand (note 8)	549,373	-	549,373	598,009
	<u>\$ 1,280,669</u>	<u>\$ 1,107,640</u>	<u>\$ 2,388,309</u>	<u>\$ 2,435,148</u>
NET ASSETS				
Housing fund - internally restricted	\$ 6,729,147	\$ -	\$ 6,729,147	\$ 6,955,928
Invested in property and equipment	-	287,201	287,201	352,412
Unrestricted	-	(422,142)	(422,142)	(584,376)
	<u>6,729,147</u>	<u>(134,941)</u>	<u>6,594,206</u>	<u>6,723,964</u>
	<u>\$ 8,009,816</u>	<u>\$ 972,699</u>	<u>\$ 8,982,515</u>	<u>\$ 9,159,112</u>
COMMITMENTS (note 10)				
CONTINGENT LIABILITY (note 11)				
ON BEHALF OF THE BOARD				

Director

Director

See Accompanying Notes

HABITAT FOR HUMANITY NIAGARA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues (deficiency) over expenses	\$ (129,758)	\$ 653,918
Items not affecting cash		
Amortization	99,390	110,938
Gifts in-kind	(227,015)	(332,663)
Write-down of mortgages receivable to amortized cost	1,612,716	872,694
Interest income on mortgages receivable and mortgage realization	<u>(338,641)</u>	<u>(518,993)</u>
	1,016,692	785,894
Changes in non-cash working capital items		
Accounts receivable	25,690	20,748
Sales taxes recoverable/payable	29,529	(53,361)
Prepaid expenses	24,850	(10,440)
Properties held for home development	624,513	(229,832)
Accounts payable and accrued changes	48,538	55,047
Deferred revenue	<u>(20,000)</u>	<u>-</u>
	<u>1,749,812</u>	<u>568,056</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of new mortgages receivable	(2,333,878)	(1,233,918)
Mortgage repayments received	423,745	746,458
Repayment of forgivable mortgages received	-	56,238
Purchase of GIC Investments	(403,840)	-
Purchase of property, plant and equipment	<u>(16,873)</u>	<u>(32,140)</u>
	<u>(2,330,846)</u>	<u>(463,362)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loan	(48,480)	(48,480)
Repayment of long-term debt	<u>(17,306)</u>	<u>(16,865)</u>
	<u>(65,786)</u>	<u>(65,345)</u>
INCREASE (DECREASE) IN CASH POSITION	(646,820)	39,349
CASH POSITION, BEGINNING	<u>1,763,809</u>	<u>1,724,460</u>
CASH POSITION, ENDING	<u>\$ 1,116,989</u>	<u>\$ 1,763,809</u>

See Accompanying Notes

HABITAT FOR HUMANITY NIAGARA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. NATURE OF ACTIVITIES

Habitat For Humanity Niagara (the "organization") was incorporated without share capital on April 29, 1993 under the Corporations Act of Ontario and is a registered charity under the Income Tax Act (Canada).

The primary objective of the organization is to aid qualifying economically disadvantaged individuals by constructing or renovating homes and providing financial assistance through non-interest bearing mortgages to enable them to purchase the homes. The organization also operates three "Restore" outlets, which sell donated new and used building and household materials.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

PROPERTIES HELD FOR HOME DEVELOPMENT

Properties held for home development are valued at the lower of cost and net realizable value. Cost is determined on a specific item basis.

PROPERTY, PLANT AND EQUIPMENT

Amortization of property, plant and equipment other than leasehold improvements is calculated on the diminishing balance method using the following rates:

Computers	50% - 100%
Furniture and fixtures	20%
Lift truck	30%
Vehicles	30%

Leasehold improvements are amortized on the straight-line method over 10 years.

HABITAT FOR HUMANITY NIAGARA**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2023**

2. SIGNIFICANT ACCOUNTING POLICIES - continued

LONG LIVED ASSETS, IMPAIRMENT

The organization reviews the carrying value of property, plant and equipment for impairment when events or changes in circumstances indicate an asset's value may not be recoverable. That is determined when an asset's undiscounted cash flows are less than its carrying value. An impairment charge is recorded to reduce the carrying value of the asset to its fair value. Impairment charges are not reversed if there is a subsequent increase in its fair value. Amortization methods, residual values and useful lives are reassessed whenever events or changes in circumstances indicate that impairment may be present.

REVENUE RECOGNITION

Revenue from home sales is recognized when the organization has transferred the significant risks and rewards of home ownership to the partner family, in that all significant acts have been completed and the organization retains no continuing involvement, or effective control of, the home to a degree usually associated with ownership, and reasonable assurance exists regarding the measurement of consideration. Generally, this occurs upon transfer of property title to the partner family. The proceeds recognized are determined by reference to the fair market value of the homes transferred. The proceeds are satisfied, for the most part, by mortgages issued by the organization; these mortgages are recorded at amortized cost in accordance with the financial instruments accounting policy.

The organization follows the deferral method of accounting for contributions. Unrestricted donations and grants are recorded as revenue when received or receivable. Restricted donations and grants are recognized as revenue in the year in which the externally imposed stipulations are met. The amount of any pledges to donate funds is not recognized as revenue until collection is assured.

The Restore outlets sell donated new and used materials. Restore outlet revenue is recognized upon delivery of the goods to the customer, this usually occurs at point of sale.

FUND ACCOUNTING

The Housing Fund reports the assets, liabilities, revenues and expenses relating to the organization's building and renovation activities. The Housing Fund only includes costs specifically attributed to the construction and renovation of homes and the administration of mortgages on previously sold homes.

The Operating Fund reports the assets, liabilities, revenues and expenses relating to the organization's three Restores and accounts for 100% of the organization's general and administrative costs. The Operating Fund also includes the assets, liabilities, revenues and expenses related to the organization's fixed assets.

HABITAT FOR HUMANITY NIAGARA**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2023**

2. SIGNIFICANT ACCOUNTING POLICIES - continued

GOVERNMENT ASSISTANCE

Government grants are recognized when received or receivable and there is reasonable assurance that the company has complied with, and will continue to comply with, all conditions necessary to obtain the grants.

DONATED GOODS AND SERVICES

Donated goods or services are recognized when fair value can be reasonably estimated, the materials or services are used in the normal course of operations and the organization would have purchased the materials or services if they had not been donated.

Goods donated to the Restore outlets for resale are not recorded as assets in these financial statements.

A substantial number of volunteers make significant contributions of their time to the organization's program and supporting services. The value of this contributed time is not reflected in these financial statements.

USE OF ACCOUNTING ESTIMATES

The preparation of financial statements in conformity 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include items such as the determination of the useful life of property, plant and equipment and the determination of interest rate on initial recognition of the mortgages receivable. Actual results could differ from these estimates.

HABITAT FOR HUMANITY NIAGARA**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2023**

2. SIGNIFICANT ACCOUNTING POLICIES - continued

FINANCIAL INSTRUMENTS**Measurement of financial instruments**

Financial instruments are financial assets or liabilities of the organization where, in general, the organization has the right to receive cash or another financial asset from another party or the organization has the obligation to pay another party cash or other financial assets.

The organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the organization in the transaction.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, sales taxes recoverable, mortgages receivable and GIC investments.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, sales taxes payable, bank loan and long-term debt.

Impairment

Financial assets measured at cost or 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 net income. The write down reflects the difference between the carrying amount and the higher of:

- The present value of the cash flows expected to be generated by the asset or group of assets;
- The amount that could be realized by selling the asset or asset group; or
- 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 up to the amount of the previously recognized impairment.

HABITAT FOR HUMANITY NIAGARA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

3. PROPERTIES HELD FOR HOME DEVELOPMENT**2023****2022**

Adams Avenue, Niagara Falls	\$ 461,931	\$ 458,874
Bartlett Avenue, Grimsby	18,501	-
Grey Avenue, Niagara Falls	-	377,656
Mary Street, Thorold	161,442	505,918
Mitchell Street, Port Colborne	38,953	30,351
Plymouth & First, Welland	497,289	477,616
Ontario Street, Welland	555,784	543,704
Taylor Street, Thorold	<u>340,493</u>	<u>77,772</u>
	<u>\$ 2,074,393</u>	<u>\$ 2,471,891</u>

4. MORTGAGES RECEIVABLE

	2023		2022	
	Face Value	Amortized Cost	Face Value	Amortized Cost
1st mortgages receivable	\$ 9,520,778	\$ 4,655,672	\$ 7,610,645	\$ 4,042,319
2nd and 3rd mortgages receivable (non-forgivable)	<u>961,180</u>	<u>306,497</u>	<u>961,180</u>	<u>283,792</u>
	10,481,958	4,962,169	8,571,825	4,326,111
2nd and 3rd mortgages receivable (forgivable)	461,131	-	461,131	-
Current portion of mortgages receivable	<u>(304,016)</u>	<u>(271,772)</u>	<u>(460,660)</u>	<u>(237,526)</u>
Balance, end of year	<u>\$ 10,639,073</u>	<u>\$ 4,690,397</u>	<u>\$ 8,572,296</u>	<u>\$ 4,088,585</u>

Estimated principal repayments of 1st mortgages and non-forgivable 2nd and 3rd mortgages at face value are as follows:

2024	\$ 304,016
2025	314,750
2026	313,268
2027	311,325
2028	861,120
Subsequent years	<u>8,377,479</u>
	<u>\$ 10,481,958</u>

HABITAT FOR HUMANITY NIAGARA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

4. MORTGAGES RECEIVABLE - continued

Total mortgages receivable represent the aggregate of mortgages on 45 properties (2022, 42 properties). The 1st mortgages are non-interest bearing and are secured by a charge on specific property, receivable in monthly installments with terms of 15 or 20 years for mortgages since 2016, prior to 2016 there was no specified maturity date. Monthly payments are set annually based on the partner family's income.

The 2nd and 3rd mortgages are non-interest bearing and are secured by a charge on specific property and require no payments with terms of 15, 20 or 35 years. Certain 2nd and 3rd mortgages issued prior to the 2013 year include terms for forgiveness. Forgiveness is contingent upon the occurrence of certain future events including the length of occupancy by the homeowner. The forgivable portion of any mortgage is valued at \$nil as the likelihood of collection is remote considering the forgivable feature. In the year that a forgivable mortgage is required to be paid, or the right to forgiveness has been forfeited, the previously forgivable portion will be recognized as income.

All mortgages are non-interest bearing, however, due to the application of financial instrument accounting, interest income on mortgages is imputed and recognized in the statement of operations over the life of the mortgage. Effectively, amortized cost is the present value of the expected cash flows of the financial instrument over the remaining life of the financial instrument discounted using the effective interest rate at the time of inception.

As these financial instruments are non-interest bearing, this results in discounting the financial instrument and the recognition of interest income over the term of the instrument. Mortgages receivable are reduced by payments made by the counter party.

The effective interest rates range from 3.8% to 14.1% on 1st mortgages and 6.7% to 11.2% on 2nd and 3rd mortgages.

The reported changes in 1st mortgages and non-forgivable 2nd and 3rd mortgages can be summarized as follows:

	2023		
	<u>Face Value</u>	<u>Unamortized Discount</u>	<u>Amortized Cost</u>
Balance, beginning	\$ 8,571,825	\$ (4,245,714)	\$ 4,326,111
Add new 1st mortgages	2,333,878	(1,612,716)	721,162
Less mortgage realization	<u>(423,745)</u>	<u>338,641</u>	<u>(85,104)</u>
Balance, end	<u>\$ 10,481,958</u>	<u>\$ (5,519,789)</u>	<u>\$ 4,962,169</u>

HABITAT FOR HUMANITY NIAGARA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

4. MORTGAGES RECEIVABLE - continued

	2022		
	<u>Face Value</u>	<u>Unamortized Discount</u>	<u>Amortized Cost</u>
Balance, beginning	\$ 8,084,365	\$ (3,835,775)	\$ 4,248,590
Add new 1st mortgages	1,068,104	(726,465)	341,639
new 2nd & 3rd mortgages	<u>165,814</u>	<u>(146,229)</u>	<u>19,585</u>
	<u>1,233,918</u>	<u>(872,694)</u>	<u>361,224</u>
Less mortgage realization	(746,458)	462,755	(283,703)
recovery of forgivable mortgages	<u>-</u>	<u>(56,238)</u>	<u>56,238</u>
	<u>(746,458)</u>	<u>518,993</u>	<u>(227,465)</u>
Balance, end	<u>\$ 8,571,825</u>	<u>\$ (4,245,714)</u>	<u>\$ 4,326,111</u>

5. PROPERTY, PLANT AND EQUIPMENT

2023

2022

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computers	\$ 232,161	\$ 218,603	\$ 13,558	\$ 18,436
Furniture and equipment	108,489	86,744	21,745	15,483
Leasehold improvements	901,333	714,873	186,460	241,120
Lift truck	28,125	27,164	961	1,372
Vehicles	<u>276,970</u>	<u>212,493</u>	<u>64,477</u>	<u>93,307</u>
	<u>\$ 1,547,078</u>	<u>\$ 1,259,877</u>	<u>\$ 287,201</u>	<u>\$ 369,718</u>

6. INTERFUND PAYABLE/RECEIVABLE

Interfund payable/reveivable balances are non-interest bearing and have no specific terms of repayment.

HABITAT FOR HUMANITY NIAGARA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

7. BANK INDEBTEDNESS

The organization has authorized operating lines of credit totaling \$2,200,000 and a demand loan as described in note 8 of \$597,853 (2022, \$646,333) with the Meridian Credit Union which bear interest at prime plus 1.0%. The credit facility is secured by a general security agreement, assignment of first mortgages receivable on 27 properties which at December 31, 2023 total \$1,637,729 (2022, \$1,737,801) (face value of \$2,724,520 (2022, \$2,982,531)), collateral mortgages totaling \$1,171,000 (2022, \$1,554,500) on various properties held for development, and assignment of comprehensive general liability insurance and fire insurance. At December 31, 2023, the operating line of credit balance was \$1,382,000 (2022, \$1,382,000).

8. BANK DEMAND LOAN**2023****2022**

Meridian Credit Union, demand loan, repayable over maximum
20 year amortization period from initial date of drawdown in
April 2016, principal monthly installments totaling \$4,040,
plus interest at prime plus 1.0%.

\$	597,853	\$	646,333
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Current portion

<u>(48,480)</u>	<u>(48,324)</u>
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<u>\$</u>	<u>549,373</u>	<u>\$</u>	<u>598,009</u>
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The bank demand loan is secured together with the line of credit as described in note 7.

Although the bank loan is due on demand, management does not believe that the demand feature will be exercised. Payments on account of principal required to be paid over the next five years are as follows: 2024, \$48,480; 2025, \$48,480; 2026, \$48,480; 2027, \$48,480; and 2028, \$48,480.

HABITAT FOR HUMANITY NIAGARA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

9. LONG-TERM DEBT**2023****2022**

Loan repaid during the year.	\$ -	\$ 17,306
Meridian Credit Union, Canada Emergency Business Account, loan (CEBA), non-interest bearing	<u>40,000</u>	<u>40,000</u>
Current portion of long-term debt	<u>40,000</u>	<u>57,306</u>

CEBA loan was repaid subsequent to year end.

10. COMMITMENTS

The organization leases 16,400 square feet at 150 Bunting Road, St. Catharines, Ontario under a lease that expires on June 30, 2025, 10,000 square feet at 2499 Highway 20 East, Fonthill, Ontario under a lease that expires on February 28, 2025, and 19,100 square feet at 185 South Service Road, Grimsby, Ontario under a lease that expires on November 30, 2026. Payments on these leases will become due as follows: 2024, \$451,815; 2025, \$294,060; and 2026, \$181,977.

HABITAT FOR HUMANITY NIAGARA**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2023**

11. CONTINGENT LIABILITY

The organization is an affiliate of Habitat for Humanity Canada ("HFHC"). HFHC entered into an agreement with Canada Mortgage and Housing Corporation ("CMHC") under the National Housing Co-Investment Fund, which is administered by CMHC as part of Canada's National Housing Strategy, to assist with the financing of the construction and/or the repair and renewal by the HFHC affiliates of affordable owner-occupied housing units. HFHC has entered into separate forgivable loan agreements with each affiliate, including the organization, participating in the CMHC loan program.

As a forgivable loan, the amounts received are considered contributions for accounting purposes as it has been determined by the organization that it is more likely than not that the amounts will ultimately be forgiven. In addition, as the amounts are received for a specific purpose, the amounts are only recognized as income once the funds have been received, an affordable home has been constructed and title passed to a partner family.

The organization has reported revenue of \$nil (2022, \$100,000) under this program which is included in grants and other revenue of the housing fund.

In case of default, amounts repayable would bear interest at 5% per annum and would be payable on the first day of the month following the month in which such declaration of the loan default is made by CMHC. While management has determined that it is more likely than not that the amounts received from CMHC will be forgiven, amounts will formally be forgiven over the term of the agreement or 20 years. As of December 31, 2023, no amounts have been forgiven and the balance of the forgivable loans total \$200,000.

The forgivable loan agreement stipulates special covenants on affordability, accessibility and energy efficiency that must be met for the loans to be forgiven. Affordability must be maintained for 20 years and the organization must fulfil the covenant on affordability, with either the original units or by substitution for a period of 20 years.

HABITAT FOR HUMANITY NIAGARA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

12. HABITAT FOR HUMANITY CANADA

The organization is an affiliate of Habitat for Humanity Canada ("HFHC"). There is a covenant agreement between HFHC and all Canadian affiliates whereby HFHC provides administrative and marketing support, training opportunities and gift coordination. Pursuant to its affiliate covenant agreement with HFHC, the organization contributes a tithe for international work. The organization also pays an affiliation fee consisting of an annual fee, a percentage on all nationally procured gifts in kind used for homebuilding or Restore inventory, and a percentage of gross Restore outlet sales. At December 31, 2023, the organization has accounts receivable from HFHC of \$nil (2022, \$41,782) and accounts payable to HFHC of \$82,872 (2022, \$45,778).

13. ALLOCATION OF EXPENSES

2023

2022

During the current year, salaries and benefits expenses have been allocated to the cost of properties held for home development based on the cost of labour contributed as follows:

Adams Avenue, Niagara Falls	\$ -	\$ 17
Cedar Street, Niagara Falls	-	89,506
Mary Street, Thorold	377	57,579
Plymouth & First, Welland	112	10
Taylor Street, Thorold	<u>21,000</u>	<u>320</u>
	<u>\$ 21,489</u>	<u>\$ 147,432</u>

HABITAT FOR HUMANITY NIAGARA**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2023**

14. FINANCIAL INSTRUMENTS

The main risks the organization's financial instruments are exposed to are credit risk, interest rate risk and liquidity risk.

Credit risk

The financial instruments that potentially subject the organization to a significant concentration of credit risk consist primarily of accounts receivable and mortgages receivable. The organization takes back mortgages in the normal course of its operations on sales of property. Management believes that the organization's first charge mortgage held on related properties mitigates the risk of financial loss.

Interest rate risk

Bank indebtedness and bank loan bear interest at floating rates based on the bank prime rate, and as such, are subject to interest rate cash flow risk resulting from market fluctuations in interest rates. The organization does not use derivative financial instruments to alter the effects of the risk.

Liquidity risk

Liquidity risk relates to the risk the organization will encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities on its balance sheet consist of bank indebtedness, accounts payable and accrued liabilities, sales taxes payable, bank loan due on demand and long-term debt. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.