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**HABITAT FOR HUMANITY SOCIETY OF GREATER VANCOUVER**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of Habitat for Humanity Society of Greater Vancouver

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the financial statements of Habitat for Humanity Society of Greater Vancouver (the "Society"), which comprise the statement of financial position as at December 31, 2022, and the statements of changes in net assets, operations 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 Society as at December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2022 and 2021, total assets as at December 31, 2022 and 2021 and net assets at both the beginning and end of the December 31, 2022 and 2021 years. Our audit opinion on the financial statements for the prior year ended December 31, 2021 also contained a qualification because of these matters.

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 Society in accordance with 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 audit opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

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## INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report to the Board of Directors of Habitat for Humanity Society of Greater Vancouver *(continued)*

Those charged with governance are responsible for overseeing the Society's financial reporting process.

### **Auditors' 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 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Society to cease to continue as a going concern.

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## INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report to the Board of Directors of Habitat for Humanity Society of Greater Vancouver (*continued*)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

*Manning Elliott LLP*

Chartered Professional Accountants  
Vancouver, British Columbia  
June 07, 2023

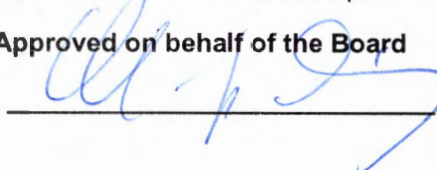
**HABITAT FOR HUMANITY SOCIETY OF GREATER VANCOUVER**  
**STATEMENTS OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

|   | As at 31<br>December<br>2022 | As at 31<br>December<br>2021 |
|---|------------------------------|------------------------------|
| <b>ASSETS</b>   |                              |                              |
| <b>Current Assets</b>                                   |                              |                              |
| Cash and cash equivalents                               | \$ 67,896                    | \$ 543,045                   |
| Accounts receivable (Note 11)                           | 195,163                      | 173,550                      |
| Current portion of mortgages receivable (Note 5)        | 148,473                      | 165,096                      |
| Prepaid expenses and deposits                           | 139,097                      | 122,329                      |
|   | <b>550,629</b>               | <b>1,004,020</b>             |
| <b>Non-current Assets</b>                               |                              |                              |
| Properties for resale (Note 4)                          | 5,692,856                    | 1,736,973                    |
| Projects under development (Note 4)                     | -                            | 3,891,778                    |
| Mortgage receivable (Note 5)                            | 1,008,981                    | 1,422,541                    |
| Capital assets (Note 6)                                 | 7,126,789                    | 6,112,847                    |
|   | <b>\$ 14,379,255</b>         | <b>\$ 14,168,159</b>         |
| <b>LIABILITIES</b>                                      |                              |                              |
| <b>Current Liabilities</b>                              |                              |                              |
| Accounts payable and accrued liabilities (Notes 7 & 11) | \$ 451,562                   | \$ 798,014                   |
| Current portion of long-term debt (Note 10)             | 70,221                       | 68,461                       |
|   | <b>521,783</b>               | <b>866,475</b>               |
| <b>Non-Current Liabilities</b>                          |                              |                              |
| Deferred contributions (Note 8)                         | -                            | 312,409                      |
| Deferred capital contributions (Note 9)                 | 2,389,842                    | 1,006,074                    |
| Deferred lease payments                                 | 296,100                      | 149,667                      |
| Mortgage deposits                                       | 605,688                      | 490,650                      |
| Long-term debt (Note 10)                                | 5,545,771                    | 5,633,355                    |
|   | <b>8,837,401</b>             | <b>8,458,630</b>             |
| <b>NET ASSETS</b>                                       |                              |                              |
| Invested in projects                                    | 4,733,699                    | 4,879,039                    |
| Invested in capital assets                              | 335,776                      | 789,580                      |
| Unrestricted  | (49,404)                     | 40,910                       |
|   | <b>5,020,071</b>             | <b>5,709,529</b>             |
|   | <b>\$ 14,379,255</b>         | <b>\$ 14,168,159</b>         |

COMMITMENTS (Note 14)

CONTINGENT LIABILITIES (Note 15)

Approved on behalf of the Board

  
 \_\_\_\_\_ Director

**HABITAT FOR HUMANITY SOCIETY OF GREATER VANCOUVER**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

|  | Invested in<br>Projects | Invested in<br>Capital<br>Assets | Unrestricted       | 2022                | 2021                |
|--|-------------------------|----------------------------------|--------------------|---------------------|---------------------|
| <b>BALANCE, BEGINNING OF YEAR</b>                    | \$ 4,879,039            | \$ 789,580                       | \$ 40,910          | \$ 5,709,529        | \$ 6,598,918        |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES         | (283,273)               | -                                | (406,185)          | (689,458)           | (889,389)           |
| Purchase of capital assets                           | -                       | 1,239,665                        | (1,239,665)        | -                   | -                   |
| Amortization of capital assets                       | -                       | (225,723)                        | 225,723            | -                   | -                   |
| Investment in properties for resale, net of transfer | 64,105                  | -                                | (64,105)           | -                   | -                   |
| Mortgage payments received                           | (146,910)               | -                                | 146,910            | -                   | -                   |
| Proceeds from deferred capital contributions         | -                       | (1,474,633)                      | 1,474,633          | -                   | -                   |
| Proceeds from deferred capital contributions         | (116,000)               | -                                | 116,000            | -                   | -                   |
| Amortization of deferred contributions               | 428,407                 | -                                | (428,407)          | -                   | -                   |
| Amortization of deferred capital contributions       | -                       | 90,865                           | (90,865)           | -                   | -                   |
| Mortgage deposits received                           | (115,038)               | -                                | 115,038            | -                   | -                   |
| Deferred lease payments received                     | -                       | (146,433)                        | 146,433            | -                   | -                   |
| Repayment of long-term debt                          | 23,369                  | 62,455                           | (85,824)           | -                   | -                   |
| <b>BALANCE, END OF YEAR</b>                          | <b>\$4,733,699</b>      | <b>\$ 335,776</b>                | <b>\$ (49,404)</b> | <b>\$ 5,020,071</b> | <b>\$ 5,709,529</b> |

**HUMANITY SOCIETY OF GREATER VANCOUVER**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

|   | Invested in<br>Projects | Invested in<br>Capital<br>Assets | Unrestricted     | 2021                | 2020                |
|---|-------------------------|----------------------------------|------------------|---------------------|---------------------|
| <b>BALANCE, BEGINNING OF YEAR</b>                     | \$ 3,295,936            | \$ 1,963,929                     | \$ 1,339,053     | \$ 6,598,918        | \$ 5,049,782        |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES          | 48,770                  | -                                | (938,159)        | (889,389)           | 1,549,136           |
| Purchase of capital assets                            | -                       | 1,189,536                        | (1,189,536)      | -                   | -                   |
| Amortization of capital assets                        | -                       | (133,747)                        | 133,747          | -                   | -                   |
| Investment in properties for resale, net of transfer  | (272,300)               | 286,861                          | (14,561)         | -                   | -                   |
| Investment in projects under development              | 2,130,867               | -                                | (2,130,867)      | -                   | -                   |
| Mortgage payments received, net of loss on settlement | (140,771)               | -                                | 140,771          | -                   | -                   |
| Proceeds from deferred contributions - other          | (788,894)               | -                                | 788,894          | -                   | -                   |
| Proceeds from deferred capital contributions          | -                       | (829,892)                        | 829,892          | -                   | -                   |
| Amortization of deferred contributions                | 579,241                 | -                                | (579,241)        | -                   | -                   |
| Amortization of deferred Capital contributions        | -                       | 4,106                            | (4,106)          | -                   | -                   |
| Mortgage deposits paid                                | 4,151                   | -                                | (4,151)          | -                   | -                   |
| Deferred lease payments received                      | -                       | (66,958)                         | 66,958           | -                   | -                   |
| Repayment of long-term debt                           | 22,039                  | 7,007                            | (29,046)         | -                   | -                   |
| Proceeds from long-term debt                          | -                       | (1,631,262)                      | 1,631,262        | -                   | -                   |
| <b>BALANCE, END OF YEAR</b>                           | <b>\$ 4,879,039</b>     | <b>\$ 789,580</b>                | <b>\$ 40,910</b> | <b>\$ 5,709,529</b> | <b>\$ 6,598,918</b> |

**HABITAT FOR HUMANITY SOCIETY OF GREATER VANCOUVER**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

|   | 2022               | 2021               |
|---|--------------------|--------------------|
| <b>REVENUE</b>  |                    |                    |
| Donations and fundraising   | \$ 1,489,807       | \$ 626,041         |
| Lease revenue   | 208,431            | 66,958             |
| Interest and other  | 90,630             | 59,613             |
|   | <b>1,788,868</b>   | <b>752,612</b>     |
| <b>RESTORE SALES (EXPENSES)</b>                                   |                    |                    |
| ReStore sales   | 4,490,452          | 3,644,938          |
| Salaries and benefits (Note 12)                                   | (2,132,137)        | (1,657,168)        |
| Rent  | (1,877,128)        | (1,583,071)        |
| Repairs and maintenance   | (182,513)          | (209,449)          |
| Affiliation fees (Note 11)  | (161,033)          | (129,690)          |
| Vehicle   | (134,369)          | (110,878)          |
| Utilities   | (102,182)          | (97,048)           |
| Advertising   | (42,626)           | (57,650)           |
| Interest and bank charges   | (78,407)           | (57,463)           |
| Office and sundry   | (44,273)           | (57,372)           |
| Telephone   | (22,315)           | (21,587)           |
| Travel  | (38,630)           | (14,777)           |
| Volunteer   | (5,969)            | (6,004)            |
|   | <b>(331,130)</b>   | <b>(357,219)</b>   |
| <b>EXPENSES</b>   |                    |                    |
| Salaries and benefits (Note 12)                                   | (438,322)          | (305,011)          |
| Fundraising   | (275,174)          | (224,770)          |
| Office  | (150,076)          | (186,215)          |
| Affiliation fees (Note 11)  | (196,963)          | (184,304)          |
| Amortization of capital assets                                    | (225,723)          | (133,747)          |
| Professional fees   | (117,870)          | (88,209)           |
| Rent  | (65,696)           | (51,135)           |
| Interest and bank charges   | (60,108)           | (38,513)           |
| Insurance   | (21,682)           | (37,207)           |
| Advertising and promotion   | (84,085)           | (34,488)           |
| Consulting  | (12,018)           | (21,006)           |
| Interest on long-term debt  | (47,100)           | (17,953)           |
| Legal fees  | (20,042)           | (10,885)           |
| Travel  | (24,788)           | (9,641)            |
| Telephone   | (7,133)            | (5,931)            |
| Training and development  | (7,864)            | (3,643)            |
| Conferences   | (2,949)            | (915)              |
| Gaming expenses   | (2,514)            | -                  |
| Tithing   | (17,500)           | -                  |
|   | <b>(1,777,607)</b> | <b>(1,353,573)</b> |
| <b>DEFICIENCY OF REVENUE OVER<br/>EXPENSES BEFORE OTHER ITEMS</b> | <b>(319,869)</b>   | <b>(958,180)</b>   |



**HABITAT FOR HUMANITY SOCIETY OF GREATER VANCOUVER**  
**STATEMENTS OF OPERATIONS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

|  | <b>2022</b>         | <b>2021</b>         |
|--|---------------------|---------------------|
| <b>OTHER ITEMS</b>   |                     |                     |
| Loss on settlement of mortgage                                 | -                   | (12,627)            |
| Write-down of present value adjustment on mortgages receivable | <b>(369,589)</b>    | (8,244)             |
| COVID-19 subsidies ( <i>Note 13</i> )                          | -                   | 89,662              |
|  | <b>(369,589)</b>    | 68,791              |
| <b>DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR</b>        | <b>\$ (689,458)</b> | <b>\$ (889,389)</b> |

**HABITAT FOR HUMANITY SOCIETY OF GREATER VANCOUVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

|  | 2022         | 2021         |
|--|--------------|--------------|
| <b>OPERATING ACTIVITIES</b>                                    |              |              |
| Deficiency of revenue over expenses for the year               | \$ (689,458) | \$ (889,389) |
| Items not affecting cash:                                      |              |              |
| Amortization of capital assets                                 | 225,723      | 133,747      |
| Interest income on mortgages receivable                        | (86,316)     | (57,014)     |
| Loss on settlement of mortgage                                 | -            | 12,627       |
| Proceeds from deferred capital contributions                   | -            | (4,106)      |
| Write-down of present value adjustment on mortgages receivable | 369,589      | 8,244        |
| Amortization of deferred contributions                         | (312,409)    | (579,241)    |
| Amortization of deferred capital contributions                 | (90,865)     | -            |
|  | (583,736)    | (1,375,132)  |
| Changes in non-cash working capital:                           |              |              |
| Accounts receivable  | (21,613)     | 256,245      |
| Prepaid expenses and deposits                                  | (16,768)     | 20,125       |
| Accounts payable and accrued liabilities                       | (346,452)    | 75,452       |
|  | (384,833)    | 351,822      |
| Cash flow from (used by) operating activities                  | (968,569)    | (1,023,310)  |
| <b>INVESTING ACTIVITIES</b>                                    |              |              |
| Mortgage payments received                                     | 146,910      | 128,323      |
| Mortgage deposits received (paid), net                         | 115,038      | (4,151)      |
| Investment in properties for resale                            | (64,105)     | (14,561)     |
| Investment in projects under development                       | -            | (2,130,867)  |
| Investment in capital assets                                   | (1,239,665)  | (1,189,536)  |
| Cash flow used by investing activities                         | (1,041,822)  | (3,210,792)  |
| <b>FINANCING ACTIVITIES</b>                                    |              |              |
| Repayment of long-term debt                                    | (85,824)     | (29,046)     |
| Proceeds from long-term debt                                   | -            | 1,631,262    |
| Proceeds from deferred contributions designated for projects   | -            | 546,644      |
| Proceeds from deferred contributions – other                   | -            | 242,250      |
| Proceeds from deferred capital contributions                   | 1,474,633    | 829,892      |
| Proceeds from deferred lease payments                          | 146,433      | 66,958       |
| Cash flow from financing activities                            | 1,535,242    | 3,287,960    |
| DECREASE IN CASH FLOW  | (475,149)    | (946,142)    |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR                  | 543,045      | 1,489,187    |
| CASH AND CASH EQUIVALENTS - END OF YEAR                        | \$ 67,896    | \$ 543,045   |

**HUMANITY SOCIETY OF GREATER VANCOUVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

|                                       | 2022             | 2021              |
|---------------------------------------|------------------|-------------------|
| CASH AND CASH EQUIVALENTS CONSIST OF: |                  |                   |
| Cash and cash equivalents             | \$ 345,120       | \$ 807,324        |
| Term deposits                         | -                | 5,000             |
| Line of credit ( <i>Note 3</i> )      | (277,224)        | (269,279)         |
|                                       | <b>\$ 67,896</b> | <b>\$ 543,045</b> |

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**HUMANITY SOCIETY OF GREATER VANCOUVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**PURPOSE OF SOCIETY**

Habitat for Humanity Society of Greater Vancouver (the "Society") was incorporated under the Societies Act of British Columbia for the principal purpose of building and selling homes to those families in core housing need as identified by BC Housing. It serves low-to-mid-income families by partnering with the families, volunteers and community receiving volunteer labour and donations. In 2019, the Society implemented a partner family equity program, approved by the Board of Directors, where the Society develops properties and offers them under long-term (21 year) leases to partner families. The equity build model will be applied to Richmond, part of Mission and Coquitlam where an MOU for an 80-year lease with the City has been approved. A portion of monthly lease payments are returned to the family at the end of their lease to enable them to purchase their own home. The Society retains ownership and can lease the property to a new partner family. Prior to this equity model, 18 Government Street properties remained under mortgage. The Society is a registered charity and, as such, is exempt from income taxes. The Society transitioned to the Societies Act in 2017. As of December 31, 2022, the Society is operating 59 units:

**Richmond (11 units)**

- 11 units are under the long-term lease agreements.

**Mission (19 units)**

- 8 units are currently on Occupancy Agreement and will move to the mortgage model by December 31, 2023;
- 11 units are currently on Occupancy Agreement and will move to a long-term lease agreement upon completion of mandatory service hours.

**Burnaby (27 units)**

- 18 units are under the mortgage model;
- 3 units are on month-to-month rental basis and will transition to the mortgage mode in Spring 2023;
- 2 units are under long-term lease agreements;
- 2 units are on month-to-month rental basis and one of which will transition to the mortgage model early by June 2023;
- 2 units are currently vacant.

**Other (2 units)**

- 1 unit is under the mortgage model in Abbotsford;
- 1 unit is under the mortgage model in Vancouver.

The Society operated 6 (2021 - 6) retail outlets in 2022 which accept donations of new and used building materials and resells those goods to the public. All proceeds from sales at the outlets are used to support the activities of the Society.

**1. SIGNIFICANT ACCOUNTING POLICIES****a) Basis of presentation**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") under Part III of the CPA Canada Handbook – Accounting. Financial statements prepared in accordance with ASNPO are also in accordance with Canadian generally accepted accounting principles ("GAAP").

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**HUMANITY SOCIETY OF GREATER VANCOUVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Cash and cash equivalents

Cash and cash equivalents consist of balances on deposit and investments in highly liquid short-term deposits, which are readily convertible into known amounts of cash and which are subject to minimal risks of changes in fair value.

c) Capital assets

Capital assets are stated at cost less accumulated amortization which is recorded using the following annual rates and methods:

|                                 |           |                          |
|---------------------------------|-----------|--------------------------|
| Buildings under long term lease | 4%        | Declining balance method |
| Computer equipment              | 30%       | Declining balance method |
| Computer software               | 100%      | Declining balance method |
| Office equipment                | 20%       | Declining balance method |
| Store equipment                 | 20%       | Declining balance method |
| Leasehold improvements          | 3-5 years | Straight line method     |

The acquired and leased cost of land, land improvements, construction costs and all carrying charges such as mortgage interest, realty taxes, legal fees and other direct expenses are capitalized for land and buildings under development. Buildings under development will not be amortized until put into use. These capital assets are under long-term lease agreements or construction.

The Society's policy is to record a write-down to a capital asset's fair value or replacement cost when conditions indicate that a capital asset is impaired. Such conditions include when the capital asset no longer contributes to the Society's ability to provide goods and services or when the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. Write-downs are recognized as an expense in the statement of operations and are not reversed.

d) Properties for resale

The cost of land, land improvements, construction costs and all carrying charges such as mortgage interest, realty taxes, legal fees and other direct expenses are inventoried for all unsold houses and land. These properties are under tenancy agreements.

e) Projects under development

The Society will retain ownership of these properties after completion of construction until property title is transferred to partner families. Projects under development, which include land, buildings and building materials are recorded at the lower cost and net realizable value. Net realizable value is defined as the lower of market value less costs of disposition and the amount of non-forgivable mortgages to be assumed by partner families. Contributed services and material related to projects under development of which fair value cannot be reasonably estimated are not recorded as part of the cost of projects under development. These projects are intended to have property titles transferred to partner families.

f) Revenue recognition

The Society follows the deferral method of accounting for donations. Unrestricted donations are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted donations are recognized as revenue in the year in which the related expenses or expenditures for projects are incurred. The amount of any pledges to donate funds to the Society is not included in revenue until collection is assured.

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**HUMANITY SOCIETY OF GREATER VANCOUVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Revenue recognition (continued)

Revenue from projects under development is recognized when the Society has transferred the significant risks and rewards of credits earned to the partner family, in that all significant acts have been completed and the Society retains no continuing managerial involvement in, or effective control of, the home to a degree usually associated with the home, 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 fair market value of the homes transferred. The proceeds are satisfied by mortgages issued by the Society.

Deferred capital contributions are contributions that are restricted for the purchase of capital assets. These contributions will be amortized and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Lease revenue represents cost recoveries received from long-term leases and is recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated.

The ReStore outlets sell donated new and used building materials. ReStore outlet revenue is recognized upon delivery of the goods to the customer.

Investment income is recognized in the period the investment income is earned.

In-kind donations are recorded at the estimated fair value of the donated goods, when estimated fair value is determinable and they would otherwise be purchased by the Society.

Due to the uncertainty of their value, in-kind donations of new and used building materials and home decoration items for resale are not recorded as a contribution, grant or donation at the time these goods are donated.

The activities of the Society are largely conducted by unpaid volunteers. The fair value of their services is difficult to determine and therefore, is not included in the financial statements.

g) Forgivable loans

Forgivable loans used to acquire capital assets are accounted for in the same manner as contributions restricted for the same purpose, whereby revenue is recognized on the same basis as the amortization expense related to the acquired capital assets.

Forgivable loans designated to projects under development are deferred and recognized as revenue when the related construction costs are incurred.

h) Deferred lease payments

Payments received from partner families under long-term leases, net of cost recoveries and administration fees, are deferred until termination of the lease under specified terms and conditions then paid out to partner families.

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**HUMANITY SOCIETY OF GREATER VANCOUVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Net assets

Net assets invested in projects are equal to the carrying value of the mortgages receivable plus the properties for resale and the projects under development less long-term liabilities and deferred contributions related thereto.

Net assets invested in capital assets are equal to the carrying value of the assets less the long-term liabilities and deferred capital contributions related thereto. Unrestricted net assets represent the residual net assets.

j) Mortgage deposits

Mortgage deposits represent security deposits and monthly tenancy payments received from partner families in the Government Street units while in the tenancy phase, prior to the title transfer. Upon title transfer, these amounts are credited to the family's first mortgage. The mortgage deposits paid for the Government Street owned properties are recorded fully as a liability.

k) Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues and expenses as at the end of or during the reporting period. Management believes that the estimates used are reasonable and prudent; however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of mortgages receivable, determination of the useful lives of capital assets used for computing amortization, the amounts recorded as accrued liabilities, the measurement of deferred contributions and deferred capital contributions and disclosure of commitments and contingencies.

l) Financial instruments

i. Measurement

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, mortgages receivable, accounts payable and long-term debt.

The Society initially measures all its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures all of its financial assets and liabilities at amortized cost. Changes in fair value of equity instruments are recognized in the statement of operations.

ii. Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is 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 the statement of operations in the period in which it is determined.

iii. Transaction costs

Transaction costs that are directly attributable to the origination, issuance or assumption of a financial instrument that is subsequently measured at amortized cost are assigned to those financial instruments. All other transaction costs are recognized in the statement of operations in the period incurred.

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**HUMANITY SOCIETY OF GREATER VANCOUVER**  
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**2. FINANCIAL INSTRUMENTS RISK**

The Society's financial instruments are described in Note 1(l). In management's opinion, the Society is not exposed to significant credit, liquidity, market, currency, interest rate and other price risks except as explained below. In addition, the Society is not exposed to any material concentrations of risk and there has been no significant change in the risk exposures described below from the prior year.

**Credit Risk**

The Society is exposed to credit risk in the event of non-payment of mortgages by the partner families or from non-collection of accounts receivable. Management believes that the credit risk from non-collection of mortgages is minimal as the carrying value of the mortgages is substantially less than the value of the underlying homes. Further, the credit risk arising from non-payment of accounts receivable balances is minimal as the amounts are due primarily from government bodies and related parties. The allowance for doubtful accounts included in accounts receivable at December 31, 2022 was \$Nil (2021 - \$Nil).

**Liquidity risk**

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities are due within the current operating period. The current portion of long-term debt is payable as disclosed in Note 10. The Society manages liquidity risk through the management of its capital structure.

**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. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Society is only exposed to interest rate risk.

**i) Currency risk**

Currency risk is the risk to the Society's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Society is not exposed to currency risk as all of its financial instruments are conducted in Canadian dollars.

**ii) Interest risk**

The Society is exposed to fluctuations in interest rates as the banking facilities bear interest at variable rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The mortgages receivable is non-interest bearing. The effective interest rate set for purposes of valuing mortgages is disclosed in Note 5.

**iii) Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is not exposed to other price risk.



**HUMANITY SOCIETY OF GREATER VANCOUVER**  
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**3. LINE OF CREDIT**

The Society maintains line of credit facilities with Vancouver City Savings Credit Union in the total amount of \$1,900,000, at interest rates ranging from prime plus 2% to prime plus 3%, calculated monthly. As at December 31, 2022, the Society has used \$277,224 (2021 - \$269,279) of the available credit limit. The facilities are secured by townhouse units 22, 23, 24, 26 and 27 - 8745 Government Street, Burnaby, BC.

**4. PROPERTIES FOR RESALE AND PROJECTS UNDER DEVELOPMENT**

As disclosed in Note 1(d) and (e), properties for resale, projects under development and recoverable expenses are recorded at cost and consist of the following:

|   | 2022               | 2021               |
|---|--------------------|--------------------|
| Properties for resale - Government Street, Burnaby, BC - 7 units (2021 - 7 units)             | <b>\$1,772,397</b> | \$1,736,973        |
| Properties for resale - Cedar Valley Connector, Mission, BC - 8 units (2021 - Nil units)      | <b>3,920,459</b>   | -                  |
|   | <b>5,692,856</b>   | 1,736,973          |
| Projects under development - Cedar Valley Connector, Mission, BC - Nil units (2021 - 8 units) | -                  | 3,891,778          |
|   | <b>\$5,692,856</b> | <b>\$5,628,751</b> |

**5. MORTGAGES RECEIVABLE**

Since all mortgages are interest-free and total payments on the mortgages will equal the original principal amounts, the Society has, in accordance with ASNPO, recorded the first mortgages at net present value using an imputed annual interest rate of 6.14% (2021 - 3.49%) based on the expected payments on the mortgage. The mortgages receivable is revalued as of December 31 each year, based on the discounted expected future monthly cash flows from each mortgage. The change in the mortgage receivable balance at year end is recorded as an adjustment to mortgage discount expense.

The changes in the mortgages were as follows:

|   | 2022               | 2021               |
|---|--------------------|--------------------|
| Face value of mortgages receivable, beginning of year | <b>\$2,194,607</b> | \$2,335,378        |
| Principal payments received                           | <b>(146,910)</b>   | (140,771)          |
| Face value of mortgages receivable, end of year       | <b>\$2,047,697</b> | \$2,194,607        |
| Present value adjustments                             | <b>(890,243)</b>   | (606,970)          |
| Mortgages receivable                                  | <b>\$1,157,454</b> | \$1,587,637        |
| Less: current portion                                 | <b>(148,473)</b>   | (165,096)          |
|   | <b>\$1,008,981</b> | <b>\$1,422,541</b> |

**HUMANITY SOCIETY OF GREATER VANCOUVER**  
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6. CAPITAL ASSETS

|  | Cost         | Accumulated<br>Amortization | 2022<br>Net book<br>value | 2021<br>Net book<br>value |
|--|--------------|-----------------------------|---------------------------|---------------------------|
| Land - Coquitlam                               | \$ 10        | \$ -                        | \$ 10                     | \$ 10                     |
| Land – Mission                                 | 247,500      | -                           | 247,500                   | 247,500                   |
| Land – Richmond                                | 382,300      | -                           | 382,300                   | 382,300                   |
| Buildings under<br>construction -<br>Coquitlam | 392,670      | -                           | 392,670                   | 103,062                   |
| Buildings under<br>construction -<br>Mission   | -            | -                           | -                         | 1,796,132                 |
| Richmond long-<br>term lease                   | 2,837,607    | 248,610                     | 2,588,997                 | 2,661,518                 |
| Government Street<br>long-term lease           | 860,582      | 88,619                      | 771,963                   | 804,128                   |
| Mission long-term<br>lease                     | 2,688,353    | 53,767                      | 2,634,586                 |                           |
| Computer<br>equipment                          | 81,156       | 75,172                      | 5,984                     | 8,063                     |
| Office equipment                               | 52,564       | 33,909                      | 18,655                    | 14,221                    |
| Store equipment                                | 107,705      | 91,083                      | 16,622                    | 14,461                    |
| Leasehold<br>improvements                      | 235,446      | 167,944                     | 67,502                    | 81,452                    |
|  | \$ 7,885,893 | \$ 759,104                  | \$ 7,126,789              | \$ 6,112,847              |

In 2022, the Society transferred properties for resale to capital assets in the amount of \$Nil (2021 - \$286,861).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities at December 31, 2022 are government remittances of \$56,794 (2021 - \$22,436).

**HUMANITY SOCIETY OF GREATER VANCOUVER**  
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**8. DEFERRED CONTRIBUTIONS**

Revenue recognized from deferred contribution during the year is recorded in donations and fundraising revenue in the Statement of Operations.

|  | <b>2022</b>       | <b>2021</b>       |
|--|-------------------|-------------------|
| Balance at beginning of year             | <b>\$ 312,409</b> | \$ 102,756        |
| Additions during the year                | <b>116,000</b>    | 788,894           |
| Less: revenue recognized during the year | <b>(428,409)</b>  | (579,241)         |
|  | <b>\$ -</b>       | <b>\$ 312,409</b> |

**9. DEFERRED CAPITAL CONTRIBUTIONS**

The capital contributions below are for specific capital assets and have been deferred as they will be recognized as revenue when related capital assets are amortized. The original amounts contributed and deferred, and the amounts recognized as revenue to date are as follows:

|  | <b>2021<br/>Unamortized<br/>Contributions</b> | <b>2022<br/>Amount<br/>Contributed</b> | <b>Accumulated<br/>Revenue<br/>Recognized</b> | <b>2022<br/>Unamortized<br/>Contributions</b> |
|--|---|--|---|---|
| Deferred capital contributions – Richmond  | \$ 201,188                                    | \$ -                                   | \$ (8,047)                                    | \$ 193,411                                    |
| Deferred capital contributions - Mission   | \$ 686,776                                    | \$ 26,726                              | \$ (82,818)                                   | \$ 630,684                                    |
| Deferred capital contributions – Coquitlam | \$ 118,110                                    | \$ 1,447,907                           | \$ -  | \$ 1,566,017                                  |
|  | <b>\$ 1,006,074</b>                           | <b>\$ 1,474,633</b>                    | <b>\$ (90,865)</b>                            | <b>\$ 2,389,842</b>                           |

The continuity of the Society's deferred capital contributions is as follows:

|  | <b>2022</b>         | <b>2021</b>         |
|--|---------------------|---------------------|
| Balance at beginning of year             | <b>\$ 1,006,074</b> | \$ 180,288          |
| Additions during the year                | <b>1,474,633</b>    | 829,892             |
| Less: revenue recognized during the year | <b>(90,865)</b>     | (4,106)             |
|  | <b>\$ 2,389,842</b> | <b>\$ 1,006,074</b> |

**HUMANITY SOCIETY OF GREATER VANCOUVER**  
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10. LONG TERM DEBT

|  | 2022               | 2021                |
|--|--------------------|---------------------|
| Loan payable to British Columbia Housing Management Commission (BC Housing) for maximum principal of \$4,194,144 bearing interest at a variable rate to a maximum of prime plus 1.75% per annum. Secured by certain units at 32588 Cedar Valley Connector, Mission, BC along with a general security agreement over all assets of the Society. | \$3,738,622        | \$3,755,985         |
| Mortgage payable to Scotiabank bearing interest at 2.312% per annum, payable at \$6,593 per month, including interest. Secured by certain units 8164/8180/8184 Ash Street and 8333/8317/8311 Dayton Court, Richmond, BC. The mortgage will mature in November 2031.  | 1,454,218          | 1,499,311           |
| Mortgage payable to Vancouver City Savings Credit Union bearing interest at 3.0% per annum, payable at \$3,037 per month, including interest. Secured by certain units at 8745 Government Street, Burnaby, BC. The mortgage will mature in April 2026.   | 423,152            | 446,520             |
|  | 5,615,992          | 5,701,816           |
| Less amounts classified as current liabilities:<br>Current portion of long-term debt   | (70,221)           | (68,461)            |
|  | <b>\$5,545,771</b> | <b>\$ 5,633,355</b> |

The Society must meet certain financial covenants regarding the mortgage payable to Vancouver City Savings Credit Union. As at December 31, 2022, the Society was compliance with its minimum debt service coverage ratio per the debt covenant.

Principal repayment terms are approximately as follows:

|            |           |                  |
|------------|-----------|------------------|
| 2023       | \$        | 70,221           |
| 2024       |           | 72,025           |
| 2025       |           | 73,878           |
| 2026       |           | 75,780           |
| 2027       |           | 83,948           |
| Thereafter |           | 5,240,140        |
|            | <b>\$</b> | <b>5,615,992</b> |

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**HUMANITY SOCIETY OF GREATER VANCOUVER**  
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**11. RELATED PARTY TRANSACTIONS**

The Society 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 in kind coordination. Pursuant to the by-laws of HFHC which was updated effective March 10, 2015, the Society pays an affiliation fee consisting of \$12,500 per annum, per vote, 20% on all nationally procured gifts in kind used for homebuilding and 15% on nationally procured gift in kind sold through the ReStores, 20% on nationally raised donations, a 3% of cash raised Stewardship and Organizational Sustainability Initiative (SOSI) fee, and a range of 2.5% to 5% of the gross ReStore outlet sales, paid quarterly. The Society also contributes a tithe for international work in the amount of 10% of its donations, excluding donations designated by a donor for local building. Total fees paid during the year by the Society to HFHC were \$258,262 (2021 - \$214,381).

Accounts receivable includes \$64,051 (2021 - \$61,281) due from HFHC.

Accounts payable and accrued liabilities includes \$85,332 (2021 - \$98,610) due to HFHC.

Related party transactions are in the normal course of operations and have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Payables to related parties are unsecured, non-interest bearing, and due on demand.

**12. SALARIES AND BENEFITS**

During the year ended December 31, 2022, salaries and benefits expense include ten (2021 – seven) employees that each earned over \$75,000 for a total of \$890,320 (2021 - \$731,105).

**13. COVID-19 SUBSIDIES**

In 2021, the Society made a claim for the Canada Emergency Wage Subsidy to the federal government for the period from February to April 2021 and received an amount of \$52,891. The Society also made a claim for the Canada Emergency Rent Subsidy to the federal government for the period from February to April 2021 and received an amount of \$36,771. The Society made no claims in 2022.

**14. COMMITMENTS**

The Society has operating lease commitments for its ReStore locations and equipment expiring between 2023 and 2026. The estimated lease commitments during the next four years are anticipated as follows:

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|      |             |
|------|-------------|
| 2023 | \$1,304,154 |
| 2024 | 1,380,614   |
| 2025 | 995,392     |
| 2026 | 211,988     |
|      | <hr/>       |
|      | \$3,892,148 |

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**HUMANITY SOCIETY OF GREATER VANCOUVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**15. CONTINGENT LIABILITIES**

a) The Society has agreements in place with its partner families allowing the Society first right of refusal to repurchase properties held by individual partner families who wish to sell. If exercised, the Society's minimum cost to purchase any given property is the sum of all loan payments received by the Society from the respective partner family, less administrative costs and any required repairs to the repurchased property. Total loan payment received from all partner families as at December 31, 2022 is \$2,324,388 (2021 - \$2,063,617).

b) Canada Mortgage and Housing Corporation forgivable loan via Habitat for Humanity Canada in the amount of \$640,000, bearing interest at 0% per annum, forgiven over 20 years commencing 2021, repayable on demand in the event of default, plus interest at 5% per annum.

c) The Society, from time to time, is subject to various legal proceedings and claims. Management is of the view that these will not have a material adverse effect on the Society and its operations.

**16. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassification does not have an effect on the total assets, total liabilities, net assets or deficiency of revenue over expenses for the year previously reported.