

WINNIPEG HABITAT FOR HUMANITY INC.
NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024



CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Winnipeg Habitat for Humanity Inc.:

Opinion

We have audited the non-consolidated financial statements of Winnipeg Habitat for Humanity Inc. (the Company), which comprise the non-consolidated statement of financial position as at December 31, 2024, and the non-consolidated statement of operations, non-consolidated statement of changes in net assets and non-consolidated statement of cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at December 31, 2024, and its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 Non-consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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 opinion.

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

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 Company'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 Company'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 non-consolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

DRAFT

Chartered Professional Accountants

DATE

Winnipeg, Canada

WINNIPEG HABITAT FOR HUMANITY INC.
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash (Note 3)	\$ 4,742,824	\$ 3,396,875
Accounts receivable	270,682	187,766
Inventory	40,190	108,231
Refundable deposits and prepaid expenses	283,080	280,727
Construction in progress	5,644,257	4,318,754
Residential property	5,873,159	5,361,734
Scheduled repayments of mortgages receivable (Note 4)	3,589,208	2,771,649
	<u>20,443,400</u>	<u>16,425,736</u>
Mortgages receivable (Note 4)	46,055,820	45,732,295
Property and equipment (Note 5)	520,990	550,229
Investment in Red River Appraisal Services Ltd.	118,552	118,552
Investment in subsidiaries (Note 6)	74,558	70,512
	<u>\$ 67,213,320</u>	<u>\$ 62,897,324</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 705,293	\$ 876,448
Government remittances payable	29,624	37,493
Deposits	13,249	-
Escrow accounts	283,900	380,500
Deferred contributions (Note 7)	74,418	485,573
Deferred contribution CMHC HFHC national housing funds (Note 8)	5,743,417	4,251,462
Scheduled repayments of callable debt (Note 9)	856,958	652,161
Current liabilities before callable debt	7,706,859	6,683,637
Callable debt (Note 9)	13,795,591	13,343,638
	<u>21,502,450</u>	<u>20,027,275</u>
Net assets:		
Invested in property and equipment	343,119	336,911
Internally restricted Chapter funds	1,848,412	1,057,247
Unrestricted	43,519,339	41,475,891
	<u>45,710,870</u>	<u>42,870,049</u>
	<u>\$ 67,213,320</u>	<u>\$ 62,897,324</u>

APPROVED BY THE BOARD:

_____ **Director** _____ **Director**

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended December 31	
	2024	2023
Revenue:		
Donations-		
Contributions and grants	\$ 3,776,493	\$ 3,083,427
Construction materials	316,660	95,675
Habitat ReStore	2,729,964	2,771,916
Special events (Note 10)	1,003,152	1,064,783
Sale of residential properties to Habitat families	2,573,000	5,177,639
Critical repairs	378,882	180,402
Interest income	90,336	57,208
Dividend from Red River Appraisal Services Ltd.	12,818	-
Miscellaneous	158,562	284,559
	<u>11,039,867</u>	<u>12,715,609</u>
Expenses:		
Administrative expenses (Schedule A)	1,882,577	2,067,379
Habitat ReStore expenses (Schedule B)	1,776,815	1,667,677
Cost of residential properties sold to families (Note 11)	2,289,723	6,048,839
Impairment of construction in progress	2,809,000	-
Habitat for Humanity Canada affiliation fees	229,347	324,862
Repairs and maintenance and home warranty	57,559	5,436
Programming	578,620	535,932
Special events (Note 10)	243,779	341,971
Interest on long-term debt	768,816	652,301
Critical repairs	378,882	180,402
	<u>11,015,118</u>	<u>11,824,799</u>
Excess of revenue over expenses before other revenue (expenses)	24,749	890,810
Other revenue (expenses):		
Equity gain (loss) from subsidiaries (Note 6)	3,499	(4,963)
Gain on sale of property and equipment	-	3,966
Gain on sale of excess properties	47,750	90,320
Amortization of discount on interest-free long-term debt	(2,409)	(3,142)
Imputed interest income on mortgages receivable (Note 4)	5,745,247	3,865,053
Mortgage discount expense (Note 4)	(2,978,015)	(4,384,385)
	<u>2,816,072</u>	<u>(433,151)</u>
Difference between revenue and expenses	<u>\$ 2,840,821</u>	<u>\$ 457,659</u>

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Net assets invested in property and equipment	Internally restricted chapter funds	Unrestricted	Year ended December 31	
				2024	2023
Net assets, beginning of year	\$ 336,911	\$ 1,057,247	\$ 41,475,891	\$ 42,870,049	\$ 42,412,390
Difference between revenue and expenses	(60,767)	-	2,901,588	2,840,821	457,659
Internal transfer of chapter funds	-	791,165	(791,165)	-	-
Net additions to property and equipment, net of change in related debt	<u>66,975</u>	<u>-</u>	<u>(66,975)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 343,119</u>	<u>\$ 1,848,412</u>	<u>\$ 43,519,339</u>	<u>\$ 45,710,870</u>	<u>\$ 42,870,049</u>

WINNIPEG HABITAT FOR HUMANITY INC.
NON-CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31	
	2024	2023
Cash flow from operating activities:		
Difference between revenue and expenses	\$ 2,840,821	\$ 457,659
Adjustments for:		
Amortization	60,767	68,056
Net change in fair value discount on mortgages receivable	16,391	519,332
Amortization of discount on interest-free debt	2,409	3,142
Donated residential properties	-	(116,507)
Donated shares	-	(118,552)
(Gain) loss on sale of residential properties to families	(283,277)	871,200
Impairment of construction in progress	2,809,000	-
Gain on sale of property and equipment	-	(3,966)
Equity loss (gain) from subsidiaries	(3,449)	4,963
	<u>5,442,662</u>	<u>1,685,327</u>
Changes in the following:		
Accounts receivable	(82,916)	1,254,505
Government remittances payable	(7,869)	(201,948)
Inventory	68,041	15,930
Refundable deposits and prepaid expenses	(2,353)	45,224
Acquisition and construction of residential property	(6,935,651)	(7,493,504)
Mortgages receivable payments received	1,415,525	2,723,968
Accounts payable and accrued liabilities	(171,155)	(350,168)
Deposits received	13,249	-
Escrow accounts	(96,600)	6,000
Deferred contributions	(411,155)	382,653
Deferred Contribution CMHC HFHC National Housing Funds	1,491,955	1,099,849
	<u>723,733</u>	<u>(832,164)</u>
Cash flow from financing activities:		
Proceeds on long-term debt	1,440,000	3,208,704
Repayment of long-term debt	(785,659)	(2,123,695)
	<u>654,341</u>	<u>1,085,009</u>
Cash flow from investing activities:		
Purchase of property and equipment	(31,528)	(88,273)
Proceeds on sales of property and equipment	-	19,048
Change in advances to subsidiary	(597)	(585)
	<u>(32,125)</u>	<u>(69,810)</u>
Change in cash	<u>1,345,949</u>	<u>183,035</u>
Cash, beginning of year	<u>3,396,875</u>	<u>3,213,840</u>
Cash, end of year	<u><u>\$ 4,742,824</u></u>	<u><u>\$ 3,396,875</u></u>

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

1. Nature of operations:

Winnipeg Habitat for Humanity Inc. (the "Organization"), incorporated June 22, 1987 in the Province of Manitoba, is a not-for-profit organization that provides housing to economically disadvantaged persons in Manitoba and Northwest Ontario. The prospective homeowner makes a commitment by contributing "sweat equity" hours. Mortgages on the homes are non-interest bearing.

Habitat ReStore commenced operation in April 1991. Its principal activity is selling materials and supplies which are donated by companies or individuals.

The Organization is a registered charity and is exempt from income taxes under the provisions of the Income Tax Act.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the Organization will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Critical accounting estimates and judgments-

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets, value of donated items and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Financial instruments-

Except for certain related party transactions, financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in the difference between revenues and expenses for the period incurred.

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

2. Significant accounting policies (continued):**b) Financial instruments (continued)-**

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may occur on sale or other disposal. The Organization may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Organization measures all financial instruments at amortized cost.

c) Inventory-

Inventory consists of home construction inventory, Habitat ReStore inventory and supplies. Home construction inventory and supplies are recorded at the lower of cost and net replacement cost, with cost being determined using the first-in, first-out method. Cost includes the purchase price including applicable taxes and delivery charges.

Habitat ReStore inventory, which primarily consists of donated re-cycled materials and obsolete, damaged or surplus materials from suppliers and manufacturers, is recorded at a nominal amount.

d) Construction in progress-

Construction in progress represents direct costs incurred by the Organization and contributed materials and residential property that have been recognized in accordance with the accounting policy described in Note 2(k) relating to homes that are not yet complete. Construction in progress is recorded at the lower of cost and net realizable value. Net realizable value is defined as the lower of market value less costs of disposition. Any excess of carrying value over net realizable value is expensed in the year incurred.

e) Residential property-

Residential property is recorded at the lesser of cost and the estimated sale price to the prospective homeowner. Cost is comprised of land, land development, material and subcontract costs, with cost being determined using specified unit cost. Residential property is not amortized as the properties are expected to be sold to partner families.

f) Property and equipment-

Property and equipment are recorded at cost and amortized over their estimated useful lives, except for contributed assets which are recorded at fair market value at the time of the contribution plus all costs directly attributable to the acquisition. This requires estimation of the useful life of the asset and its salvage and residual value. When a capital asset is impaired, the excess of its net carrying amount over the asset's fair value or replacement cost is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

2. Significant accounting policies (continued):

f) Property and equipment (continued)-

Property and equipment are amortized on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	- 10-25 years
Furniture, fixtures and computer equipment	- 3 years
Equipment	- 3 years
Automotive	- 3 years
Telephone equipment	- 3 years
Leasehold improvements	- 10 years

g) Investments in Red River Appraisal Services Ltd.-

The Organization owns 8 common shares of Red River Appraisals Ltd. The investment is accounted for using the cost method whereby the investment is initially recorded at cost. Earnings from the investment are recognized only to the extent received or receivable.

h) Investment in subsidiaries-

The Organization owns 100% of the common shares of 4875185 Manitoba Ltd. and 100% of the common shares of HFHW Land Development Inc. The Organization issues only non-consolidated financial statements and accounts for these investments in subsidiaries using the equity method.

i) Internally restricted Chapter funds -

Contributions are received through Chapters of the Organization for home builds in certain geographic regions of the Province of Manitoba and the City of Kenora, Ontario. Because the Chapters do not undertake a build project in their geographic region every year, the Organization has internally restricted these funds as being designated for building homes in the Organization's Chapters. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

j) Revenue recognition-

The Organization follows the deferral method of accounting for contributions. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred or the external restrictions are satisfied. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Habitat ReStore sales and miscellaneous are recognized upon receipt of payment for products purchased or services provided.

Homes are sold to Habitat partner families subject to specific conditions in the mortgage. The Organization provides the new homeowner with a first mortgage, and a non-forgivable second mortgage if applicable, which is determined based on a formula using the estimated appraised value of the home. The sale of residential properties to families is recognized when the significant risks and rewards of ownership is transferred to the families and control has been passed.

Critical repairs income is recognized upon completion of work and when collection is reasonably assured.

Interest income is recognized on a time proportion basis.

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

2. Significant accounting policies (continued):

k) Contributions-

Contributed materials which are used in home construction projects are recognized as revenue when the fair value of such materials can be determined.

Contributed materials which are sold through the Habitat ReStore are recorded in inventory at a nominal amount due to the difficulty in determining the fair value of the contributed materials.

Contributed residential property is recorded at fair market value at the time of donation when information concerning fair values is available. If the fair value is not determinable, the contribution is recorded at a nominal amount.

Volunteers contribute significant services to assist the Organization in its construction projects. Because of the difficulty in determining fair value, contributed services are not recorded in the financial statements.

l) Tithe-

Habitat for Humanity Canada requires the Organization to contribute a tithe of a minimum of 10% of its undesignated funds, which is used for international housing development.

3. Cash:

The Organization has an authorized operating line of \$600,000 (2023 - \$600,000) of which \$nil is drawn (2023 - \$nil), that bears interest at the financial institution's standard rate plus 0.00% (2023 - standard rate plus 0.75%). The line is subject to annual review from the financial institution.

The Organization has available letters of credit in an aggregate amount of up to \$640,800 relating to requirements of the City of Winnipeg for build site service costs and security for credit cards. As at December 31, 2024, \$322,780 (2023 - \$328,030) of letters of credit were issued. The letters of credit bear interest at the financial institution's standard rate plus 0.00% (2023 - standard rate plus 0.75%). The letters of credit are automatically renewed for a period of 90 days from the expiry date unless the beneficiary notifies the financial institution in writing that it should not be extended.

The operating line and letters of credit are secured by a general security agreement creating a first charge on all assets, the specific assignment of mortgage receivable, the assignment of fire insurance and an all obligations mortgage in the amount of \$4,000,000 creating a first charge on land and buildings at 60 Archibald Street, Winnipeg, Manitoba.

As a condition of funding the Organization maintains a separate fund for mortgage payments from legacy build program homes. These funds included in cash as at December 31, 2024 of \$1,560,715 (2023 - \$1,003,501) are restricted to fully fund the construction of additional legacy build program homes.

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

4. Mortgages receivable:

The Organization holds first mortgages on 266 (2023 - 268) residential properties. The mortgages are for one year and renewable at the Organization's discretion. The Organization has the right to extend the term of the mortgage with the homeowner at the same terms, different terms or demand repayment on renewal. These mortgages are non-interest bearing and are repayable in variable monthly installments based on the mortgagees' income which is reviewed on an annual basis.

	<u>Face value</u>	<u>Discount</u>	<u>Amortized cost</u>	
			<u>2024</u>	<u>2023</u>
Mortgages receivable	\$ 50,713,826	\$ 1,068,798	\$ 49,645,028	\$ 48,503,944
Less: scheduled repayments of mortgages receivable			<u>3,589,208</u>	<u>2,771,649</u>
			<u>\$ 46,055,820</u>	<u>\$ 45,732,295</u>

The initial mortgage discount on new and renewed mortgages is based on discounting the mortgages with an effective rate for a term of one year of 6.02% (2023 - 8.20%).

	<u>2024</u>	<u>2023</u>
Unamortized mortgage discounts, beginning of year	\$ 3,836,030	\$ 3,316,698
Accretion of the mortgage discounts	(5,745,247)	(3,865,053)
Mortgage discount on new and renewed mortgages	<u>2,978,015</u>	<u>4,384,385</u>
Unamortized mortgage discounts, end of year	<u>\$ 1,068,798</u>	<u>\$ 3,836,030</u>

5. Property and equipment:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 247,351	\$ -	\$ 247,351	\$ -
Buildings	2,066,128	1,948,945	2,022,291	1,934,827
Furniture, fixtures and computer equipment	861,046	761,881	889,423	752,403
Equipment	127,161	118,549	127,161	111,701
Automotive	364,157	341,146	348,089	315,823
Telephone equipment	53,006	53,006	53,006	53,006
Leasehold improvements	49,715	24,047	49,715	19,047
	<u>\$ 3,768,564</u>	<u>\$ 3,247,574</u>	<u>\$ 3,737,036</u>	<u>\$ 3,186,807</u>
Net book value	<u>\$ 520,990</u>		<u>\$ 550,229</u>	

Amortization expense for the year ended December 31, 2024 is \$60,767 (2023 - \$68,056). Of this amount \$23,464 (2023 - \$19,033) is included in cost of transferred residential properties and \$10,117 (2023 - \$927) is included in programming.

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

6. Investment in subsidiaries:

- (i) The Organization owns 100% of 4875185 Manitoba Ltd. The subsidiary purchases products and sells them through the Habitat ReStore on a consigned basis. The Habitat ReStore receives a commission for selling the subsidiary's inventory.

The Organization's investment in the subsidiary, accounted for using the equity method, is as follows:

	<u>2024</u>	<u>2023</u>
Advances to subsidiary, unsecured non-interest bearing, no set terms of repayment	\$ -	\$ 50
Balance, beginning of year	\$ 68,150	\$ 72,229
Net income (loss)	<u>4,420</u>	<u>(4,079)</u>
Balance, end of year	<u>72,570</u>	<u>68,150</u>
	<u>\$ 72,570</u>	<u>\$ 68,200</u>

- (i) Summary financial information of the subsidiary is as follows:

	<u>2024</u>	<u>2023</u>
Financial position		
Total assets	\$ <u>76,570</u>	\$ <u>73,176</u>
Total liabilities	\$ 4,000	\$ 4,659
Total shareholder's equity	<u>72,570</u>	<u>68,517</u>
	<u>\$ 76,570</u>	<u>\$ 73,176</u>
Results of operations		
Total revenues	\$ 94,324	\$ 171,503
Total expenses	<u>89,904</u>	<u>175,582</u>
Net income (loss)	<u>\$ 4,420</u>	<u>\$ (4,079)</u>
Cash flow from (used in)		
Operating activities	\$ <u>21,201</u>	\$ <u>19,580</u>
Change in cash	<u>\$ 21,201</u>	<u>\$ 19,580</u>

During the year, the Organization earned commissions from the subsidiary in the amount of \$38,825 (2023 - \$69,573) in Habitat ReStore revenue. Accounts payable includes \$38,704 (2023 - \$48,563) owing to the subsidiary. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

6. Investment in subsidiaries (continued):

- (ii) The Organization owns 100% of HFHW Land Development Inc. The subsidiary was incorporated on February 26, 2008 under The Corporations Act in Manitoba. This subsidiary was established to facilitate the occasional acquisition of land for the purpose of resale into the general market.

The Organization's investment in the subsidiary, accounted for using the equity method, is as follows:

	<u>2024</u>	<u>2023</u>
Advances to subsidiary, unsecured non-interest bearing, no set terms of repayment	\$ 23,876	\$ 23,279
Investment in subsidiary		
Balance, beginning of year	\$ (20,967)	\$ (20,083)
Net loss	<u>(921)</u>	<u>(884)</u>
Balance, end of year	<u>(21,888)</u>	<u>(20,967)</u>
	<u>\$ 1,988</u>	<u>\$ 2,312</u>

- (ii) Summary financial information of the subsidiary are as follows:

	<u>2024</u>	<u>2023</u>
Financial position		
Total assets	\$ 1,988	\$ 2,312
Total liabilities	\$ 23,876	\$ 23,279
Total shareholder's equity	<u>(21,888)</u>	<u>(20,967)</u>
	<u>\$ 1,988</u>	<u>\$ 2,312</u>
Results of operations		
Total expenses	\$ (921)	\$ (884)
Net loss	<u>\$ (921)</u>	<u>\$ (884)</u>
Cash flow (used in) from		
Operating activities	\$ (921)	\$ (299)
Financing activities	<u>597</u>	<u>(585)</u>
Change in cash	<u>\$ (324)</u>	<u>\$ (884)</u>

7. Deferred contributions:

Deferred contributions in includes contributions restricted for activities in the following year.

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 485,573	\$ 102,920
Add: Contributions received during the year	<u>57,000</u>	<u>485,573</u>
	542,573	588,493
Less: Amounts amortized to revenue	<u>468,155</u>	<u>102,920</u>
Ending balance	<u>\$ 74,418</u>	<u>\$ 485,573</u>

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

8. Deferred contribution CMHC HFHC national housing funds:

Canada Mortgage and Housing Corporation ("CMHC") has entered into an agreement with Habitat for Humanity Canada ("HFHC") to provide forgivable interest free loans to support the development of affordable housing in Canada. HFHC has entered into an agreement with the Organization to provide forgivable interest free loans of up to \$125,000 per housing unit, to finance the construction of CMHC approved projects.

The loans are interest-free as long as the conditions specified in the agreement are met and the loans are not in default. If the loans are in default, HFHC may declare that the loans shall bear interest at five percent per annum. The loans will be forgiven in equal annual tranches over a 20-year period beginning 12 months after the last Habitat Affiliate agreement has completed its final drawdown as long as the projects remain affordable. As a forgivable loan, the amounts received are considered contributions for accounting purposes.

Activity relating to CMHC HFHC national housing funds in the year is as follows:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 4,251,462	\$ 3,151,613
Add: Amounts received during the year	<u>1,570,745</u>	<u>1,112,981</u>
	5,822,207	4,264,594
Less: Amounts forgiven during the year	<u>78,790</u>	<u>13,132</u>
Ending balance	<u>\$ 5,743,417</u>	<u>\$ 4,251,462</u>

9. Callable debt:

	<u>2024</u>	<u>2023</u>
Interest at a fixed rates ranging from 2.75% - 6.121% (2023 - 2.75% - 8.2%), monthly principal and interest payments ranging from \$200 - \$18,841 (2023 - \$382 - \$18,841)	\$ 6,116,611	\$ 7,486,855
Interest at the financial institution's variable residential mortgage rate plus 0.00% being 4.3% (2023 - plus 0.75% being 7.4%), monthly principal and interest payments ranging from \$400 - \$11,200 (2023 - \$160 - \$12,165)	4,542,853	3,184,807
Interest at the financial institution's variable standard rate plus 0.00% being 5.2% (2023 - plus 0.75% being 8.2%), monthly principal and interest payments ranging from \$400 - \$11,200 (2023 - \$365 - \$23,415)	<u>3,993,085</u>	<u>3,324,137</u>
	14,652,549	13,995,799
Less scheduled principal payments for one year	<u>856,958</u>	<u>652,161</u>
Callable debt	<u>\$ 13,795,591</u>	<u>\$ 13,343,638</u>

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

9. Callable debt (continued):

The callable debt is secured by a general security agreement creating a first charge on all assets, the specific assignment of mortgages receivable, a letter of undertaking providing the lender the right to register a caveat on titles related to the mortgage receivables in the event of the Organization's default, the assignment of fire insurance, an all obligations mortgage in the amount of \$4,000,000 creating a first charge on land and buildings at 60 Archibald Street, Winnipeg, Manitoba and registered multi-purpose mortgages with a first charge on specified residential properties with a carrying value of \$922,302 (2023 - \$928,743).

The scheduled principal payments on the callable debt are as follows:

2025	\$	856,958
2026		1,033,677
2027		1,078,745
2028		1,084,715
2029		868,437
Thereafter		9,730,017

10. Special events:

	<u>Cycle of Hope</u>	<u>House Party</u>	<u>Ride Around the Lake</u>	<u>Spirit of Hope</u>	<u>Scotch Tasting</u>	<u>2024 Total</u>
Revenue	\$ -	\$ 3,520	\$ 570,417	\$ 145,830	\$ 283,385	\$ 1,003,152
Expenses	-	647	89,785	55,470	97,877	243,779
Net	<u>\$ -</u>	<u>\$ 2,873</u>	<u>\$ 480,632</u>	<u>\$ 90,360</u>	<u>\$ 185,508</u>	<u>\$ 759,373</u>

	<u>Cycle of Hope</u>	<u>House Party</u>	<u>Ride Around the Lake</u>	<u>Spirit of Hope</u>	<u>Scotch Tasting</u>	<u>2023 Total</u>
Revenue	\$ 156,446	\$ 136,878	\$ 483,041	\$ 36,561	\$ 251,857	\$ 1,064,783
Expenses	68,851	63,959	75,322	20,714	113,125	341,971
Net	<u>\$ 87,595</u>	<u>\$ 72,919</u>	<u>\$ 407,719</u>	<u>\$ 15,847</u>	<u>\$ 138,732</u>	<u>\$ 722,812</u>

11. Cost of residential properties sold to families:

Included in cost of transferred residential properties are construction overhead costs allocated in the amount of \$80,717 (2023 - \$150,634) based on management's internal tracking of costs by department.

12. Endowment fund:

The Organization entered into an agreement with The Winnipeg Foundation for establishment of The Habitat for Humanity Winnipeg Endowment Fund. The Winnipeg Foundation will preserve the capital in its Non-consolidated Trust Fund and will distribute all income generated thereon to the Organization in perpetuity. The fair value of these funds as at December 31, 2024 is \$83,267 (2023 - \$76,119).

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

13. Employee benefits:

The Organization maintains a defined contribution pension plan for its employees. The expense for this plan is equal to the Organization's required contributions for the year. The total expense is \$126,090 (2023 - \$89,721) for the year and is included in administrative expenses and Habitat ReStore expenses.

14. Commitments:

The Organization has leased certain equipment, retail and premises space under operating leases. The approximate future minimum lease payments under these leases are as follows:

2025	\$ 188,000
2026	179,000
2027	174,000
2028	174,000
2029	87,000

15. Guarantee:

The Organization has provided a guarantee of the operating line of a subsidiary company in the amount of \$50,000 (2023 - \$50,000). The Organization has also provided a guarantee of a \$450,000 (2023 - \$450,000) revolving term loan with another subsidiary company and an assignment of mortgage receivables. As at December 31, 2024 \$nil (2023 - \$1,897) of the operating line was outstanding and \$nil (2023 - \$nil) of the revolving term loan was outstanding.

17. Risk management:

Management's risk management policies are typically performed as a part of the overall management of the Organization's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its operations, the Organization is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Organization, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

Liquidity risk-

Liquidity risk is the risk that the Organization cannot meet its financial obligations associated with financial liabilities in full. The Organization's main sources of liquidity are its operations and external borrowings. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Organization's financial obligations associated with financial liabilities.

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Organization has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Organization also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. No allowance for doubtful accounts has been recorded for accounts receivable. The Organization has secured mortgages receivable against the title of the homes transferred. Management is of the opinion that they are not exposed to significant credit risk in regards to mortgages receivable as the value of the homes exceed the value of the outstanding mortgage values.

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

17. Risk management (continued):

Interest rate risk-

Interest rate risk is the risk that the fair value known as interest rate price risk or future cash flows known as interest rate cash flow risk, of a financial instrument will fluctuate because of changes in market interest rates. Obtaining debt with fixed interest rates minimizes cash flow risk and obtaining debt with variable interest rates minimized interest rate price risk.

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>2024</u>	<u>2023</u>
Expenses:		
Amortization	\$ 17,056	\$ 10,498
Automotive	5,775	6,717
Bank charges and interest	39,262	56,888
Homeowner selection and support	2,333	5,084
Insurance	24,085	22,079
Office	222,465	159,354
Professional fees	102,751	208,635
Property taxes	11,341	11,590
Public relations, media and promotions	107,744	97,418
Salaries and benefits	1,298,621	1,396,219
Telephone	8,805	9,203
Tithe	12,862	19,415
Training	4,497	6,472
Travel and conference	15,708	48,999
Utilities	4,125	4,959
Volunteer support	5,147	3,849
	<u>\$ 1,882,577</u>	<u>\$ 2,067,379</u>

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED SCHEDULE OF HABITAT RESTORE OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>2024</u>	<u>2023</u>
Expenses:		
Amortization	\$ 10,130	\$ 30,378
Automotive	35,891	41,845
Bank charges and interest	36,757	37,345
Building repairs and maintenance	23,905	42,325
Insurance	23,654	22,624
Lease costs	218,687	192,754
Office	32,757	29,925
Procurement costs	208,622	100,059
Property tax	45,365	46,360
Public relations, media and promotions	2,734	3,578
Salaries and benefits	1,042,001	1,024,460
Telephone	12,294	9,370
Travel and conference	3,245	3,434
Utilities	42,491	49,714
Volunteer recognition	147	170
Waste disposal	38,135	33,336
	<u>\$ 1,776,815</u>	<u>\$ 1,667,677</u>

WINNIPEG HABITAT FOR HUMANITY INC.

STATEMENTS OF SOURCES OF CASH INFLOW AND EXPENDITURES ON CMHC APPROVED PROJECTS

FOR THE YEAR ENDED DECEMBER 31, 2024

Sources of cash inflows:	2024	2023
Cash used from internal sources	\$ 3,095,397	\$ 1,774,672
Debt financing - SCU	1,570,744	1,586,179
Debt financing - Habitat for Humanity Canada	1,540,000	2,470,000
Total cash inflows	<u>\$ 6,206,141</u>	<u>\$ 5,830,851</u>
Eligible expenses:		
Cost of land	\$ 156,582	\$ 515,163
General construction expenses	241,571	314,510
Site preparation expenses	185,543	97,834
Concrete work	610,794	846,699
Roofing and exterior work	1,498,940	1,455,304
Interior costs	1,233,124	698,801
Electrical and mechanical costs	1,037,480	773,210
Post home construction expenses	52,843	-
Other construction site expenses	70,818	173,860
Construction staff cost	1,118,446	884,980
Other direct expenses not included above	-	70,490
Total eligible expenses	<u>\$ 6,206,141</u>	<u>\$ 5,830,851</u>