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Financial Statements of

**HABITAT FOR HUMANITY -
NATIONAL CAPITAL REGION**

December 31, 2019

Marie Fraser, CPA, CA, CFP
Nancy Nicks, CPA, CA
Jacob Milosek, CPA, CA

MEMBER
INPACT
INTERNATIONAL ALLIANCE OF
PROFESSIONAL ACCOUNTANTS

Blair Duffy, CPA, CA
Todd Hamilton, CPA, CA
David Tenzi, CPA, CA, CBV



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April 29, 2020

INDEPENDENT AUDITORS' REPORT

To the Members of
Habitat for Humanity - National Capital Region:

Qualified Opinion

We have audited the accompanying financial statements of Habitat for Humanity - National Capital Region (the "Organization"), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenses, changes in net assets and cash flow for the year then ended, as well as a summary of significant accounting policies and other explanatory information.

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 Habitat for Humanity - National Capital Region as at December 31, 2019, and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Habitat for Humanity - National Capital Region derives revenue from fundraising activities, donations and from its ReStore operations. The completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Habitat for Humanity - National Capital Region. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, donations, Re-store operations, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2019 and December 31, 2018, and current assets and net assets as at December 31, 2019 and December 31, 2018.



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Other Information

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate that matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the applicable financial reporting framework, 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 these financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Hendry Warren LLP

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Licensed Public Accountants
Ottawa, Ontario

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HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Statement of Financial Position

December 31, 2019, with comparative figures for 2018

	2019	2018
Assets		
Current assets		
Cash	\$ 343,304	\$ 167,607
Restricted cash (Note 2)	2,101	2,237
Accounts receivable	136,472	139,886
Prepaid expenses	74,612	131,127
HST recoverable	176,874	159,377
Current portion of mortgages receivable	296,416	326,377
	1,029,779	926,611
Mortgages receivable (Note 3)	1,822,678	2,194,520
Residential projects (Note 4)	7,684,252	5,388,546
Capital assets (Note 5)	94,999	115,777
	\$ 10,631,708	\$ 8,625,454
Liabilities and Net Assets		
Current liabilities		
Bank indebtedness (Note 6)	\$ 200,000	\$ 405,000
Accounts payable and accrued charges	303,720	244,156
Government remittance payable	31,860	30,570
Interim occupancy payments	542,106	277,534
Current portion of long-term debt	44,415	42,815
	1,122,101	1,000,075
Lease inducement	99,849	115,804
Deferred contributions (Note 7)	3,123,222	1,476,035
Long-term debt (Note 8)	321,342	352,689
	4,666,514	2,944,603
Commitments (Note 9)		
Net assets		
Restricted - cash	2,101	2,237
Restricted - builds and mortgages	5,591,968	5,383,325
Unrestricted	371,125	295,289
	5,965,194	5,680,851
	\$ 10,631,708	\$ 8,625,454

Approved on behalf of the Board:

President

Treasurer

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Statement of Revenues and Expenses

Year ended December 31, 2019, with comparative figures for 2018

	2019	2018
Restricted operations:		
Residential projects operations		
Proceeds from sales	\$ -	\$ 1,055,142
Contributions recognized	-	553,602
Cost of goods sold	-	(882,763)
	-	725,981
Notional interest on mortgages receivable	144,613	140,870
Mortgage discount for interest free mortgages	-	(459,481)
Build remedial expenses	(5,830)	(5,460)
Recovery on change in occupancy	-	34,608
Restricted excess of revenues over expenses	138,783	436,518
Unrestricted revenues		
ReStore operations (Schedule A)	438,234	197,647
Unrestricted donations and fundraising	572,910	536,242
Grants and other income	4,204	6,929
Loss on disposal of capital assets	(5,445)	-
	1,009,903	740,818
Unrestricted expenses		
Advertising and promotion	158,642	126,469
Amortization	5,174	7,548
Bank charges and interest	7,347	3,345
Board and committee expenses	11,852	13,618
Fundraising expenses	110,069	100,768
Insurance	5,534	7,715
Office	34,693	22,896
Professional fees	18,046	19,598
Rent and utilities	53,901	57,014
Repairs and maintenance	4,888	5,726
Salaries, wages and benefits	410,438	388,935
Technology	12,860	18,318
Telephone	10,441	12,473
Tithing	15,000	5,000
Vehicle expense	5,458	4,275
	864,343	793,698
Unrestricted excess (deficiency) of revenues over expenses	145,560	(52,880)
Combined excess of revenues over expenses	\$ 284,343	\$ 383,638

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative figures for 2018

	Unrestricted	Restricted	2019 Total	2018 Total
Net assets, beginning of year	\$ 295,289	\$ 5,385,562	\$ 5,680,851	\$ 5,297,213
Excess of revenues over expenses	145,560	138,783	284,343	383,638
Interfund transfers	(69,724)	69,724	-	-
Net assets, end of year	\$ 371,125	\$ 5,594,069	\$ 5,965,194	\$ 5,680,851
Financial position represented by:				
Cash	\$ 343,304	\$ 2,101	\$ 345,405	\$ 169,844
Accounts receivable	136,472	-	136,472	139,886
Prepaid expenses	74,612	-	74,612	131,127
HST recoverable	176,874	-	176,874	159,377
Mortgages receivable	-	2,119,094	2,119,094	2,520,897
Residential projects	-	7,684,252	7,684,252	5,388,546
Capital assets	94,999	-	94,999	115,777
Bank indebtedness	-	(200,000)	(200,000)	(405,000)
Accounts payable and accrued charges	(303,720)	-	(303,720)	(244,156)
Government remittance payable	(31,860)	-	(31,860)	(30,570)
Interim occupancy payments	-	(542,106)	(542,106)	(277,534)
Lease inducement	(99,849)	-	(99,849)	(115,804)
Deferred contributions	(19,707)	(3,103,515)	(3,123,222)	(1,476,035)
Long-term debt	-	(365,757)	(365,757)	(395,504)
	\$ 371,125	\$ 5,594,069	\$ 5,965,194	\$ 5,680,851

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Cash Flow Statement

Year ended December 31, 2019, with comparative figures for 2018

	2019	2018
Operating activities		
Excess of revenues over expenses	\$ 284,343	\$ 383,638
Non-cash items:		
Residential projects operations	-	(725,981)
Notional interest on mortgage receivable	(144,613)	(140,870)
Mortgage discount on interest free mortgages	-	459,481
Amortization expense	15,610	19,931
Lease inducement adjustment	(15,955)	33,024
Deferred contributions - related to property recognized in income	(8,248)	(11,896)
Loss on disposal of capital assets	5,445	-
Recovery on change in occupancy	-	(34,608)
Changes in working capital balances (Note 10)	367,858	334,765
Cash provided by operating activities	504,440	317,484
Investing activities		
Acquisition of capital assets	(277)	(56,329)
Repayment of mortgages receivable	546,416	513,616
Expenditures on residential projects	(2,295,706)	(1,245,710)
Cash used in investing activities	(1,749,567)	(788,423)
Financing activities		
Cash contributions received for builds	1,655,435	470,607
Long-term borrowings	-	13,068
Repayment of long-term debt	(29,747)	(10,000)
Cash provided by financing activities	1,625,688	473,675
Increase in cash	380,561	2,736
(Bank indebtedness) cash, beginning of year	(235,156)	(237,892)
Cash (bank indebtedness), end of year	\$ 145,405	\$ (235,156)
Cash (bank indebtedness) consists of:		
Unrestricted cash	\$ 343,304	\$ 167,607
Restricted cash	2,101	2,237
Line of credit	(200,000)	(405,000)
	\$ 145,405	\$ (235,156)

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2019, with comparative figures for 2018

Status and purpose of the Organization

Habitat for Humanity - National Capital Region (the "Organization") was established on March 1, 1993 by letters patent under the Canada Corporations Act. The Organization has been continued under the Canada Not-for-Profit Corporations Act. The Organization is exempt from tax under Section 149(1)(f) the *Income Tax Act*.

The Organization is a not-for-profit organization and registered charity that raises funds and solicits donations of goods and services in order to build simple, decent and affordable homes for low income working families, who pay back an interest-free mortgage and contribute 500 hours of sweat equity. The Organization also operates new and used building supply stores called "ReStores".

1. Significant accounting policies

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

Net assets

The Organization's net assets are composed of restricted and unrestricted amounts.

The Organization's Board of Director's have restricted net assets arising from transactions relating to mortgages receivable, residential projects, bank indebtedness, interim occupancy payments, long-term debt related to residential projects and deferred contributions for houses and land. The revenues and expenses arising from these amounts are applied against restricted net assets. The restricted net assets will be used in the future to allow the Organization to continue to build simple, decent and affordable homes for low income working families.

Revenues and expenses arising from the remainder of the Organization's operations are applied against unrestricted net assets and will be used in the future for general operations.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or when the mortgage for the residential project is transferred, if applicable. 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.

Revenue from residential projects operations is recognized in the period in which title to the house is transferred to the applicable family and the mortgage is registered.

Grants and other income is recognized when received or receivable, if collection is reasonably assured.

Revenues from ReStore operations are recognized at the point of sale, if collection is reasonably assured.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2019, with comparative figures for 2018

Donated materials and services

Part of the activities of the Organization are carried out by volunteers. In addition, the Organization relies on donated materials to help complete its projects. These financial statements do not account for the value of volunteer labour, services or materials for which a donation receipt was not issued. The donations in kind for which the fair market value was known and a donation receipt was issued are recorded at fair market value and recognized as income if the value is greater than \$50,000. Donations in kind received with a fair market value of less than \$50,000 are recognized in income upon the items eventual sale.

Mortgages receivable

The Organization has issued second mortgages on some of the properties transferred, representing the "forgivable" portion of the houses. In addition, second and third mortgages have been issued on certain properties and are held by the City of Ottawa. Since the likelihood of the collection of these amounts cannot be determined, these second and third mortgages have not been recorded in the financial statements.

When new mortgages are issued, they are recorded at amortized cost. This method discounts the face value of the mortgage using the prevailing interest rate over the life of the mortgage. The difference between the face value of the new mortgage and the amortized cost carrying value is recorded on the statement of revenues and expenses as "mortgage discount for interest free mortgages." The non-forgivable portion of mortgages are non-interest bearing. However, due to the application of accounting standards for not-for-profit organizations with respect to financial instruments, interest income on mortgages is recognized each year in the statement of revenues and expenses as "notional interest on mortgages receivable," based on the prevailing interest rate at the inception of the mortgage.

Residential projects

Land is recorded at the purchase price plus carrying costs or at fair market value at the time of the donation. Houses are recorded at cost plus the receipted value of donated goods and services.

Donated assets

Donated assets are recorded at the lower of cost and net realizable value. Cost represents the fair market value of the donated assets.

Interest capitalization

Interest is capitalized on debts incurred during the construction phase of a residential project and is expensed as part of the cost of the house when the project is complete and the mortgage is closed.

Cash and cash equivalents

The Organization's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate from being positive to overdrawn, and restricted cash.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2019, with comparative figures for 2018

Lease inducement

The lease inducement is amortized over the term of the lease.

Capital assets

Capital assets are accounted for at cost. Amortization is based on the assets' respective useful lives using the following method and rates and duration:

Asset	Method	Rate & Duration
Computer equipment	Declining balance	30%
Computer software	Declining balance	50%
Furniture and fixtures	Declining balance	20%
Leasehold improvements	Straight-line	Lease term
Vehicles	Declining balance	30%

One-half of the annual amount is claimed in the year of acquisition except on computer software.

Deferred contributions - related to property

Contributed capital assets are accounted for in deferred contributions and amortized on the same basis as the related capital assets.

Allocation of expenses

The Organization separately discloses a statement of operations (Schedule A) for its ReStore locations. The Organization allocates general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis each year. Allocations are based on the proportion of use and time between the ReStores and general organizational purposes.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the current period.

Significant items subject to such estimates and assumptions include the estimated useful lives of capital assets, the valuation of mortgages receivable including the appropriateness of the discount rate used on mortgages, allocation of expenses and the valuation of accounts payable and accrued charges. These estimates are reviewed periodically and adjustments are made to the statement of revenues and expenses as appropriate in the year they become known.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2019, with comparative figures for 2018

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

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

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in statement of revenues and expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, 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 statement of revenues and expenses.

Transaction costs

The Organization recognizes its transaction costs in the statement of revenues and expenses in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Interim occupancy payments

Interim occupancy payments represent payments from families during the interim occupancy agreement, typically the first year of occupying their home. Once the mortgage has been transferred to the families, these payments will be credited towards their mortgage balance.

2. Restricted cash

Restricted cash represents amounts relating specifically to housing project builds.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2019, with comparative figures for 2018

3. Mortgages receivable

The mortgages receivable are non-interest bearing and have repayment terms ranging from 1 to 35 years. Mortgages receivable are classified as held to maturity and are measured at amortized cost using the notional interest method. Although the mortgages are non-interest bearing, they are accounted for using the notional interest rate determined on the initial issuance of the mortgage. These rates range from 3.59% to 6.00%. The carrying value of the mortgages approximates their fair value given the decline in interest rates and increase in credit spreads for higher risk assets during the year.

At December 31, 2019, there were eleven (2018: eight) families living in homes in which the transfer of title was not complete and as such, these mortgages have not been recognized. These families pay monthly advances towards the future mortgage balance. These advances are recognized as interim occupancy payments on the statement of financial position.

	2019	2018
Mortgages receivable	\$ 4,059,875	\$ 4,606,291
Less: Notional interest on non-interest bearing mortgages	(1,940,781)	(2,085,394)
Present value of mortgages receivable	2,119,094	2,520,897
Current portion of mortgage receivable	296,416	326,377
	\$ 1,822,678	\$ 2,194,520

4. Residential projects

	2019	2018
Land and housing projects under development	\$ 7,684,252	\$ 5,388,546

Since the beginning of its operations, the Organization has completed 55 houses and 11 retrofits.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2019, with comparative figures for 2018

5. Capital assets

			2019	2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 41,838	\$ 40,340	\$ 1,498	\$ 2,139
Computer software	28,736	28,017	719	889
Furniture and fixtures	23,800	16,464	7,336	9,169
Leasehold improvements	78,947	10,609	68,338	79,140
Vehicles	41,076	23,968	17,108	24,440
	\$ 214,397	\$ 119,398	\$ 94,999	\$ 115,777

6. Bank indebtedness

At December 31, 2019, short-term bank credit facilities consisted of an operating line of credit in the amount of \$800,000 (2018: \$800,000). The line of credit bears interest at Royal Bank of Canada prime plus 1.7% per annum and is secured by a general security agreement.

The credit facility includes covenants requiring a debt service coverage of not less than 1:25:1:00 and net assets of at least \$1,500,000. These covenants are to be calculated annually. At December 31, 2019, the Organization has met these covenants.

Additionally, the Organization was granted letters of credit from the Royal Bank of Canada for work and service to be done at 6208 Jeanne D'Arc Boulevard in the amount of \$154,878 (2018: \$154,878), as well as \$50,000 (2018: \$Nil) for work and service to be done at Wateridge Village.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2019, with comparative figures for 2018

7. Deferred contributions

Deferred contributions represent resources which, subject to external restrictions, are to be used to cover expenses in subsequent years. Details of the deferred contributions balance are as follows:

	2019	2018
House and land contributions:		
Wateridge contributions	\$ 1,111,100	\$ 97,600
Jeanne D'Arc contributions	826,734	456,586
Cousineau contributions	451,843	451,843
Women build contributions	246,208	4,688
Build sponsorship contributions	198,468	183,165
Adopt-a-day contributions	75,478	79,375
Bride build contributions	49,799	-
Nantes contributions	33,600	33,600
Faith build contributions	32,095	32,095
Law build contributions	24,641	49,379
Restore cans contributions	20,408	19,529
Youth build contributions	15,400	35,400
Restore salvage program contributions	11,859	-
Carleton Place contributions	4,627	4,627
Perth contributions	1,255	-
Tulip contributions	-	193
	3,103,515	1,448,080
Other contributions:		
Contributed capital assets	19,707	27,955
Balance, end of year	\$ 3,123,222	\$ 1,476,035

During the year, the Organization received deferred contributions totalling \$1,655,435 (2018: \$447,445) and recognized in revenue contributions totalling \$8,248 (2018: \$565,336).

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2019, with comparative figures for 2018

8. Long-term debt

	2019	2018
Community Forward Fund Mortgage, repayable in interest only payments until January 2019, commencing in 2019 repayable in blended monthly payments of principal and interest of \$4,093, interest calculated at a rate of 5.25%, maturing in December 2021. The loan is secured by a general security agreement including land and building located at 2675 Mac Street, Ottawa with a net book value of \$529,154	\$ 352,689	\$ 382,436
CMHC interest free loan, no fixed terms of repayment	13,068	13,068
	365,757	395,504
Current portion of long-term debt	44,415	42,815
	\$ 321,342	\$ 352,689

Principal repayments required in the next five years and after are as follows:

2020	\$ 44,415
2021	33,033
2022	34,809
2023	36,682
2024	38,654
After	178,164
	\$ 365,757

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2019, with comparative figures for 2018

9. Commitments

Future minimum rental payments required under operating leases for services and equipment, premises and vehicles that have initial lease terms in excess of one year at December 31, 2019 are as follows:

	Services and Equipment	Premises	Vehicles	Total
2020	\$ 7,464	\$ 442,716	\$ 23,392	\$ 473,572
2021	5,986	283,775	21,312	311,073
2022	-	289,834	17,760	307,594
2023	-	295,893	-	295,893
2024	-	301,952	-	301,952
After	-	995,737	-	995,737
	\$ 13,450	\$ 2,609,907	\$ 62,464	\$ 2,685,821

10. Changes in working capital balances

Changes in working capital balances have provided (used) cash as follows:

	2019	2018
Accounts receivable	\$ 3,414	\$ (19,093)
Prepaid expenses	56,515	13,106
Government remittances receivable	-	1,145
HST recoverable	(17,497)	11,437
Accounts payable and accrued charges	59,564	76,230
Government remittances payable	1,290	(4,599)
Interim occupancy payments	264,572	256,539
	\$ 367,858	\$ 334,765

11. Financial instruments

Risk and concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the risk exposures and concentrations at the statement of financial position date, December 31, 2019.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2019, with comparative figures for 2018

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk with respect to the accounts receivable and mortgages receivable. Credit is granted as a normal part of operations. Mortgages receivable are secured by the land and homes on which they are issued.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its bank indebtedness, accounts payable and accrued charges, interim occupancy payments and long-term debt.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. The variable rate line of credit exposes the Organization to a cash flow risk, while the fixed rate long-term debt subjects the Organization to a fair value risk.

It is management's assessment that the risk levels have remained consistent with the prior year.

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2019, with comparative figures for 2018

12. Allocation of expenditures on CMHC approved Projects

During the year, Habitat for Humanity Canada ("HFHC") entered into an agreement with Canada Mortgage and Housing Corporation ("CMHC") for funding that results in a reimbursement for a portion of eligible expenditures spent on specific projects. The allocation of the eligible expenses that were used to apply for the reimbursement are as follows:

	2019
Cash used from internal sources (ReStore profits, fundraising, line of credit)	\$ 354,727
Grant from other levels of government (City of Ottawa down payment assistance)	250,000
Funds for the Organization (mortgage payments)	191,639
Sponsorship and Habitat Build Days	238,736
Total sources of cash inflow	\$ 1,035,102
Bought out units and cost of land	\$ 371,355
General construction expenses	72,406
Site preparation expenses	171,701
Concrete work	56,392
Roofing and exterior work	136,282
Interior costs	14,467
Electrical and mechanical costs	43,722
Final finishing costs	25,325
Other construction site expenses	23,575
Construction staff cost	107,295
Other direct expenses not included above	12,582
Total eligible expenses	\$ 1,035,102

13. Habitat for Humanity Canada

Habitat for Humanity - National Capital Region is an affiliate of HFHC. HFHC provides administrative, marketing and training support to the individual affiliates across the country. HFHC also coordinates gifts in kind to affiliates. In exchange for these services and support, the Organization pays a base affiliation fee of \$25,000. The Organization also pays a quarterly affiliation fee and a percentage of gross ReStore outlet sales. Annually, the Organization contributes a tithe for international work in the amount of \$15,000 (2018: \$5,000). At year end, included in accounts receivable was an amount due from HFHC of \$79,496 (2018: \$49,748) and included in accounts payable and accrued charges was an amount due to HFHC of \$65,644 (2018: \$34,542).

HABITAT FOR HUMANITY - NATIONAL CAPITAL REGION

Supplementary Financial Information

Schedule A

Year ended December 31, 2019, with comparative figures for 2018

	2019	2018
ReStore operations		
Sales	\$ 2,507,924	\$ 2,176,040
Expenses		
Advertising and promotion	35,989	38,829
Amortization	10,436	12,383
Bank charges and interest	38,147	32,921
Office and miscellaneous expenses	68,610	61,368
Professional fees	12,832	8,925
Rent and utilities	765,530	751,078
Repairs and maintenance	73,975	46,544
Salaries and benefits	983,900	945,427
Telephone	18,082	21,032
Vehicle expenses	62,189	59,886
	2,069,690	1,978,393
Net ReStore operations	\$ 438,234	\$ 197,647