



**HENDRY
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CHARTERED PROFESSIONAL ACCOUNTANTS

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Financial Statements of

**HABITAT FOR HUMANITY NATIONAL
CAPITAL REGION**

December 31, 2020



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March 31, 2021

INDEPENDENT AUDITOR'S 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, 2020, 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, 2020, 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, combined (deficiency) excess of revenues and expenses, and cash flows from operations for the years ended December 31, 2020 and December 31, 2019, and current assets and net assets as at December 31, 2020 and December 31, 2019.



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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

HENDRY WARREN LLP
Chartered Professional Accountants
Licensed Public Accountants
Ottawa, Ontario

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Statement of Financial Position

December 31, 2020, with comparative figures for 2019

	2020	2019
Assets		
Current assets		
Cash	\$ 631,025	\$ 343,304
Restricted cash (Note 2)	2,700	2,101
Accounts receivable	91,318	136,472
House held for sale	525,000	-
Prepaid expenses	81,339	74,612
HST recoverable	49,422	176,874
Current portion of mortgages receivable	333,433	296,416
	<u>1,714,237</u>	<u>1,029,779</u>
Mortgages receivable (Note 3)	1,579,363	1,822,678
Residential projects (Note 4)	7,822,211	7,684,252
Capital assets (Note 5)	227,693	94,999
	<u>\$ 11,343,504</u>	<u>\$ 10,631,708</u>
Liabilities and Net Assets		
Current liabilities		
Bank indebtedness (Note 6)	\$ 305,000	\$ 200,000
Accounts payable and accrued charges	349,489	303,720
Government remittance payable	19,660	31,860
Interim occupancy payments	690,302	542,106
Current portion of long-term debt	32,179	44,415
	<u>1,396,630</u>	<u>1,122,101</u>
Lease inducement	163,550	99,849
Deferred contributions (Note 7)	3,980,115	3,123,222
Long-term debt (Note 8)	370,437	321,342
	<u>5,910,732</u>	<u>4,666,514</u>
Commitments (Note 9)		
Net assets		
Restricted - cash	2,700	2,101
Restricted - builds and mortgages	4,402,666	5,591,968
Unrestricted	1,027,406	371,125
	<u>5,432,772</u>	<u>5,965,194</u>
	<u>\$ 11,343,504</u>	<u>\$ 10,631,708</u>

Approved on behalf of the Board:

President

Treasurer

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Statement of Revenue and Expenses

Year ended December 31, 2020, with comparative figures for 2019

	2020	2019
Restricted operations:		
Residential projects operations		
Notional interest on mortgages receivable	\$ 124,568	\$ 144,613
Build remedial expenses	(14,739)	(5,830)
Impairment loss on residential projects	(1,206,908)	-
Restricted (deficiency) excess of revenues over expenses	(1,097,079)	138,783
Unrestricted revenues (losses)		
Donation of house held for sale	595,000	-
Unrestricted donations and fundraising	392,282	572,910
Government assistance	358,363	-
Grants and other income	33,866	4,204
Loss on disposal of capital assets	-	(5,445)
ReStore operations (Schedule A)	(61,427)	438,234
	1,318,084	1,009,903
Unrestricted expenses		
Advertising and promotion	87,287	158,642
Amortization	7,666	5,174
Bank charges and interest	8,513	7,347
Board and committee expenses	2,949	11,852
Fundraising expenses	21,547	110,069
Impairment of house held for sale	70,000	-
Insurance	10,521	5,534
Office	24,429	34,693
Professional fees	36,629	18,046
Rent and utilities	53,659	53,901
Repairs and maintenance	3,842	4,888
Salaries, wages and benefits	396,711	410,438
Technology	11,261	12,860
Telephone	8,538	10,441
Tithing	7,500	15,000
Vehicle expense	2,375	5,458
	753,427	864,343
Unrestricted excess of revenues over expenses	564,657	145,560
Combined (deficiency) excess of revenues over expenses	\$ (532,422)	\$ 284,343

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Statement of Changes in Net Assets

Year ended December 31, 2020, with comparative figures for 2019

	Unrestricted	Restricted	2020 Total	2019 Total
Net assets, beginning of year	\$ 371,125	\$ 5,594,069	\$ 5,965,194	\$ 5,680,851
Combined (deficiency) excess of revenues over expenses	564,657	(1,097,079)	(532,422)	284,343
Interfund transfers	91,624	(91,624)	-	-
Net assets, end of year	\$ 1,027,406	\$ 4,405,366	\$ 5,432,772	\$ 5,965,194
Financial position represented by:				
Cash	\$ 631,025	\$ 2,700	\$ 633,725	\$ 345,405
Accounts receivable	91,318	-	91,318	136,472
House held for sale	525,000	-	525,000	-
Prepaid expenses	81,339	-	81,339	74,612
HST recoverable	49,422	-	49,422	176,874
Mortgages receivable	-	1,912,796	1,912,796	2,119,094
Residential projects	-	7,822,211	7,822,211	7,684,252
Capital assets	227,693	-	227,693	94,999
Bank indebtedness	-	(305,000)	(305,000)	(200,000)
Accounts payable and accrued charges	(349,489)	-	(349,489)	(303,720)
Government remittance payable	(19,660)	-	(19,660)	(31,860)
Interim occupancy payments	-	(690,302)	(690,302)	(542,106)
Lease inducement	(163,550)	-	(163,550)	(99,849)
Deferred contributions	(45,692)	(3,934,423)	(3,980,115)	(3,123,222)
Long-term debt	-	(402,616)	(402,616)	(365,757)
	\$ 1,027,406	\$ 4,405,366	\$ 5,432,772	\$ 5,965,194

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Cash Flow Statement

Year ended December 31, 2020, with comparative figures for 2019

	2020	2019
Operating activities		
Combined (deficiency) excess of revenues over expenses	\$ (532,422)	\$ 284,343
Non-cash items:		
Notional interest on mortgage receivable	(124,568)	(144,613)
Amortization expense	24,137	15,610
Lease inducement adjustment	63,701	(15,955)
Deferred contributions - related to property recognized	(5,801)	(8,248)
Deferred contributions recognized	(29,479)	-
Loss on disposal of capital assets	-	5,445
Impairment loss on residential projects	1,206,908	-
Donation of house held for sale	(595,000)	-
Impairment of house held for sale	70,000	-
Changes in non-cash working capital balances (Note 10)	347,644	367,858
Cash provided by operating activities	425,120	504,440
Investing activities		
Acquisition of capital assets	(156,833)	(277)
Advance of mortgages receivable	330,866	546,416
Expenditures on residential projects	(1,344,867)	(2,295,706)
Cash used in investing activities	(1,170,834)	(1,749,567)
Financing activities		
Cash contributions received for builds	892,175	1,655,435
Advance of long-term debt	52,432	-
Repayment of long-term debt	(15,573)	(29,747)
Cash provided by financing activities	929,034	1,625,688
Increase in cash	183,320	380,561
Cash (bank indebtedness), beginning of year	145,405	(235,156)
Cash, end of year	\$ 328,725	\$ 145,405
Cash consists of:		
Unrestricted cash	\$ 631,025	\$ 343,304
Restricted cash	2,700	2,101
Line of credit	(305,000)	(200,000)
	\$ 328,725	\$ 145,405

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2020, with comparative figures for 2019

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) of 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 Directors 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.

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2020, with comparative figures for 2019

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.

Government assistance is recognized as revenue when received or receivable, assuming collection is reasonably assured. During the year, \$92,566 (2019: \$Nil) of government assistance received was charged to the residential projects asset as it relates to the direct labour component of the home costs.

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 revenue 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 revenue and expenses as "notional interest on mortgages receivable" based on the prevailing interest rate at the inception of the mortgage.

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2020, with comparative figures for 2019

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. Houses are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling costs.

Impairment

Residential projects measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in statement of revenue 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 revenue and expenses.

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.

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 methods 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.

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2020, with comparative figures for 2019

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 revenue and expenses as appropriate in the year they become known.

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 revenue 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 revenue and expenses.

Transaction costs

The Organization recognizes its transaction costs in the statement of revenue 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.

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2020, with comparative figures for 2019

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.

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, 2020, there were nineteen (2019: eleven) 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.

	2020	2019
Mortgages receivable	\$ 3,729,009	\$ 4,059,875
Less: Notional interest on non-interest bearing mortgages	(1,816,213)	(1,940,781)
Present value of mortgages receivable	1,912,796	2,119,094
Current portion of mortgages receivable	333,433	296,416
	\$ 1,579,363	\$ 1,822,678

4. Residential projects

	2020	2019
Land and housing projects under development	\$ 7,822,211	\$ 7,684,252

Since the beginning of its operations, the Organization has completed 62 houses and 11 retrofits.

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2020, with comparative figures for 2019

5. Capital assets

			2020	2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 41,838	\$ 40,790	\$ 1,048	\$ 1,498
Computer software	28,461	28,239	222	719
Furniture and fixtures	23,800	17,931	5,869	7,336
Leasehold improvements	217,795	24,736	193,059	68,338
Vehicles	59,334	31,839	27,495	17,108
	\$ 371,228	\$ 143,535	\$ 227,693	\$ 94,999

6. Bank indebtedness

At December 31, 2020, short-term bank credit facilities consisted of an operating line of credit in the amount of \$800,000 (2019: \$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, 2020, the Organization has met the net asset covenant, however the debt service coverage ratio covenant was not met.

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 (2019: \$154,878), as well as \$73,237 (2019: \$50,000) for work and service to be done at Wateridge Village.

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2020, with comparative figures for 2019

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:

	2020	2019
House and land contributions:		
Wateridge contributions	\$ 1,339,760	\$ 1,111,100
Jeanne D'Arc contributions	834,387	826,734
Cousineau contributions	451,843	451,843
Build sponsorship contributions	314,969	198,468
Women build contributions	253,159	246,208
Adopt-a-day contributions	89,678	75,478
Youth build contributions	61,400	15,400
Bride build contributions	53,128	49,799
Nantes contributions	33,600	33,600
Faith build contributions	32,095	32,095
Law build contributions	25,990	24,641
Restore cans contributions	20,710	20,408
Restore salvage program contributions	16,664	11,859
Carleton Place contributions	4,627	4,627
Perth contributions	2,413	1,255
	3,534,423	3,103,515
Other contributions:		
Investment Readiness Program contributions	31,386	-
Contributed capital assets	13,906	19,707
Other deferred revenue	400	-
HFHC deferred contribution (a)	400,000	-
Balance, end of year	\$ 3,980,115	\$ 3,123,222

During the year, the Organization received deferred contributions totaling \$892,173 (2019: \$1,655,435) and recognized in revenue contributions totaling \$35,280 (2019: \$8,248).

- a) Habitat for Humanity Canada ("HFHC") Co-Investment contribution by way of a forgivable loan. Forgiveness over twenty years starting in the year after the year in which the last advance is received with a maximum contribution amount of \$500,000. To the extent any principal is not forgiven, repayment in full of the remaining principal balance of the loan and any interest (bears interest at 5% per annum) or other payments due to HFHC shall be due on the final day of the term. Forgiveness is predicated upon the appropriate use of funds for eligible project costs under the agreement dated April 23, 2020. The contribution is secured by a general security agreement including land and building located at 6190-6201 Fortune Avenue, Ottawa with a net book value of \$2,615,619.

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2020, with comparative figures for 2019

8. Long-term debt

	2020	2019
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 June 1, 2022. 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 \$568,127. As the loan is expected to be renewed on or before June 1, 2022 with similar terms, the principal repayments have been disclosed as if the loan was being continued under the current agreement.	\$ 337,116	\$ 352,689
CMHC interest free loan, no fixed terms of repayment	15,500	-
CMHC interest free loan, no fixed terms of repayment	50,000	13,068
	402,616	365,757
Current portion of long-term debt	32,179	44,415
	\$ 370,437	\$ 321,342

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

2021	\$ 32,179
2022	33,910
2023	35,733
2024	37,655
2025	39,680
After	223,459
	\$ 402,616

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2020, with comparative figures for 2019

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, 2020 are as follows:

	Services and Equipment	Premises	Vehicles	Total
2021	\$ 5,986	\$ 421,736	\$ 21,312	\$ 449,034
2022	-	427,966	17,760	445,726
2023	-	434,195	-	434,195
2024	-	440,424	-	440,424
2025	-	447,487	-	447,487
After	-	1,395,353	-	1,395,353
	\$ 5,986	\$ 3,567,161	\$ 39,072	\$ 3,612,219

10. Changes in non-cash working capital balances

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

	2020	2019
Accounts receivable	\$ 45,154	\$ 3,414
Prepaid expenses	(6,727)	56,515
HST recoverable	127,452	(17,497)
Accounts payable and accrued charges	45,769	59,564
Government remittances payable	(12,200)	1,290
Interim occupancy payments	148,196	264,572
	\$ 347,644	\$ 367,858

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2020, with comparative figures for 2019

11. Subsequent event

The outbreak of the COVID-19 virus has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the COVID-19 virus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Organization's business activities. The extent to which the COVID-19 virus may impact the Organization's business activities will depend on future developments, such as the ultimate geographical spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the organization cannot determine their financial impact at this time.

12. 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, 2020.

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 increased this year as a result of the increased borrowings in 2020.

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Notes to the Financial Statements

December 31, 2020, with comparative figures for 2019

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 \$7,500 (2019: \$15,000). At year end, included in accounts receivable was an amount due from HFHC of \$23,629 (2019: \$79,496) and included in accounts payable and accrued charges was an amount due to HFHC of \$25,366 (2019: \$65,644).

HABITAT FOR HUMANITY NATIONAL CAPITAL REGION

Supplementary Financial Information

Schedule A

Year ended December 31, 2020, with comparative figures for 2019

	2020	2019
ReStore operations		
Sales	\$ 1,546,879	\$ 2,507,924
Expenses		
Advertising and promotion	3,329	35,989
Amortization	16,471	10,436
Bank charges and interest	21,727	38,147
Office and miscellaneous expenses	80,082	68,610
Professional fees	7,679	12,832
Rent and utilities	619,323	765,530
Repairs and maintenance	61,675	73,975
Salaries and benefits	739,767	983,900
Telephone	21,975	18,082
Vehicle expenses	36,278	62,189
	1,608,306	2,069,690
Net ReStore operations	\$ (61,427)	\$ 438,234