

Habitat for Humanity National Capital Region  
Financial Statements  
For the Year Ended December 31, 2022

---

Contents

Independent Auditor's Report	2 - 4
Financial Statements	
Statement of Financial Position	5
Statement of Changes in Net Assets	6
Statement of Operations	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 18
Schedule 1 - ReStore Operations	20



Tél./Tel: 613-237-9331  
Télec./Fax: 613-237-9779  
www.bdo.ca

BDO Canada s.r.l./S.E.N.C.R.L./LLP  
180 Kent Street  
Suite 1700  
Ottawa ON K1P 0B6 Canada

---

## Independent Auditor's Report

---

To the members of Habitat for Humanity National Capital Region

### Opinions

We have audited the financial statements of Habitat for Humanity National Capital Region ("Habitat"), which comprise the statement of financial position as at December 31, 2022, the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

### Unmodified Opinion on the Financial Position

In our opinion, the accompanying statement of financial position presents fairly, in all material respects, the financial position of Habitat as at December 31, 2022 in accordance with Canadian accounting standards for not-for-profit organizations.

### Qualified Opinion on the Results of Operations and Cash Flows

In our opinion, except for the possible effects on the comparative information of the matter described in the Basis for Opinions, Including Basis for Qualified Opinion on the statements of Operations and Cash Flows section of our report, the accompanying statements of operations, net assets and cash flows present fairly, in all material respects, the results of operations and cash flows of the Habitat for the year ended December 31, 2022 in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinions, Including Basis for Qualified Opinion on the Results of Operations and Cash Flows

The predecessor auditor was unable to satisfy themselves concerning the completeness of revenue from donation and fundraising activities and ReStore operations. Therefore, the predecessor auditor was unable to determine whether adjustments to the results of operations and cash flows might be necessary for the year of 2021. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope. As a result, our opinion on the current year's results of operations and cash flows is modified because of the possible effects of this matter on the comparability of the current year's figures and the comparative information.

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 Financial Statements* section of our report. We are independent of Habitat in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the financial position and our qualified audit opinion on the results of operations and cash flows.

### Other Matters

The financial statements of Habitat for the year ended December 31, 2021 were audited by another auditor who expressed a modified opinion on June 22, 2022 on the statement of financial position as at December 31, 2021, and on the statements of operations, changes in net



assets and cash flows for the year then ended, for the reasons described in the Basis for Opinions, Including Basis for Qualified Opinion on the Results of Operations and Cash Flows section.

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

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

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

Those charged with governance are responsible for overseeing Habitat'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. 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 Habitat'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 Habitat'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 Habitat 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.

Chartered Professional Accountants, Licensed Public Accountants

*BDO Canada LLP*

Ottawa, Ontario  
June 19, 2023

## Habitat for Humanity National Capital Region Statement of Financial Position

December 31	2022	2021
<b>Assets</b>		
Current		
Cash	\$ 1,095,254	\$ 1,171,546
Accounts receivable	131,333	140,880
Prepaid expenses	195,614	67,997
HST receivable	123,239	233,381
Current portion of mortgages receivable (Note 2)	482,440	380,584
	2,027,880	1,994,388
Restricted cash	5,701	2,429
Mortgages receivable (Note 2)	1,450,157	1,824,266
Projects under development and asset held for sale (Note 3)	7,132,908	5,830,355
Tangible capital assets (Note 4)	4,269,221	3,256,400
	<b>\$ 14,885,867</b>	<b>\$ 12,907,838</b>
<b>Liabilities and Net Assets</b>		
Current		
Line of credit (Note 5)	\$ 71,000	\$ 575,000
Accounts payable and accrued liabilities (Notes 6 & 9)	635,592	545,202
Interim occupancy payments	1,368,618	719,609
Current portion of long-term debt (Note 12)	32,868	33,334
	2,108,078	1,873,145
Lease inducement	127,526	143,797
Long-term debt (Note 12)	639,718	282,318
Deferred contributions (Note 7)	3,786,408	2,824,220
Deferred contributions related to tangible capital assets (Note 14)	2,228,120	1,995,737
	8,889,850	7,119,217
Contractual obligations (Note 10)		
Net Assets		
Internally restricted - lottery	5,701	2,429
Internally restricted - builds and mortgages	3,273,320	3,610,947
Unrestricted	675,895	914,582
Invested in tangible capital assets	2,041,101	1,260,663
	5,996,017	5,788,621
	<b>\$ 14,885,867</b>	<b>\$ 12,907,838</b>

On behalf of the Board:

\_\_\_\_\_ President

\_\_\_\_\_ Treasurer

## Habitat for Humanity National Capital Region Statement of Changes in Net Assets

For the year ended December 31	Internally restricted - lottery	Unrestricted	Internally restricted - builds and mortgages	Invested in Tangible Capital Assets	2022 Total	2021 Total
Balance, beginning of the year	\$ 2,429	\$ 903,834	\$ 3,621,695	\$ 1,260,663	\$ 5,788,621	\$ 5,432,772
Excess (deficiency) of revenues over expenses	3,272	232,397	-	(28,273)	207,396	355,849
Acquisition of tangible capital assets	-	(1,041,094)	-	1,041,094	-	-
Deferred contributions received for the purchase of tangible capital assets	-	232,383	-	(232,383)	-	-
Repayment of mortgages receivable	-	401,453	(401,453)	-	-	-
Notional interest on mortgages receivable	-	(129,200)	129,200	-	-	-
Interim occupancy payments collected	-	649,009	(649,009)	-	-	-
Repayment of long-term debt	-	(33,066)	33,066	-	-	-
Increase of long-term debt	-	390,000	(390,000)	-	-	-
Repayment of line of credit	-	(504,000)	504,000	-	-	-
Expenditures on residential projects	-	(1,302,553)	1,302,553	-	-	-
Deferred contributions received for residential projects	-	876,732	(876,732)	-	-	-
Balance, end of the year	\$ 5,701	\$ 675,895	\$ 3,273,320	\$ 2,041,101	\$ 5,996,017	\$ 5,788,621

The accompanying notes are an integral part of these financial statements.

## Habitat for Humanity National Capital Region Statement of Operations

For the year ended December 31	2022	2021
<b>Residential projects and related operations</b>		
Notional interest on mortgages receivable	\$ 129,200	\$ 141,545
Contributions recognized on house sales	41,397	476,843
Build remedial expenses	(49,465)	(2,731)
Proceeds from house sales	-	1,191,423
Cost of homes sold	-	(1,182,981)
Mortgage discount for interest free mortgages	-	(514,534)
Impairment loss on residential projects	-	(132,397)
	<hr/>	<hr/>
Residential projects operations excess (deficiency) of revenues over expenses	121,132	(22,832)
	<hr/>	<hr/>
<b>Revenue</b>		
Donations and fundraising	609,187	523,594
Net ReStore operations (Schedule 1)	334,506	47,824
Grants and other income	108,696	81,615
Rental income	32,132	-
Government assistance	-	561,780
Sale of donated house	-	525,000
	<hr/>	<hr/>
	1,084,521	1,739,813
	<hr/>	<hr/>
<b>Expenses</b>		
Advertising and promotion	126,051	101,395
Amortization of tangible capital assets	5,806	5,692
Bank charges and interest	8,843	9,123
Board and committee	14,078	6,390
Disbursements on sale of donated house	-	33,382
Fundraising	101,108	19,586
Insurance	12,872	12,926
Office	29,927	35,938
Other operating	32,132	-
Professional fees	29,786	33,862
Rent and utilities	36,377	33,220
Repairs and maintenance	3,749	3,296
Salaries and benefits	551,954	494,135
Technology	31,923	27,695
Telephone, computer support and internet	756	469
Tithing	5,000	17,500
Value of donated house sold	-	525,000
Vehicle	7,895	1,523
	<hr/>	<hr/>
	998,257	1,361,132
	<hr/>	<hr/>
Unrestricted excess of revenues over expenses	86,264	378,681
	<hr/>	<hr/>
Excess of revenues over expenses	\$ 207,396	\$ 355,849

The accompanying notes are an integral part of these financial statements.

## Habitat for Humanity National Capital Region Statement of Cash Flows

For the year ended December 31	2022	2021
Cash flows from operating activities		
Excess of revenues over expenses	\$ 207,396	\$ 355,849
Items not affecting cash:		
Residential projects operations		
Proceeds from house sales	-	(1,191,423)
Contributions recognized on house sales	(41,397)	(476,843)
Notional interest on mortgage receivable	(129,200)	(141,545)
Cost of homes sold	-	1,182,981
Mortgage discount for interest free mortgages	-	514,534
Impairment loss on residential projects	-	132,397
Amortization of tangible capital assets	28,273	23,975
Lease inducement adjustment	(16,271)	(19,753)
Deferred contributions - related to property recognized	-	(4,083)
Deferred contributions recognized	-	(108,479)
	<u>48,801</u>	<u>267,610</u>
Changes in non-cash working capital:		
Accounts receivable	9,547	(49,562)
Prepaid expenses	(127,617)	13,342
HST receivable	110,142	(183,959)
Accounts payable and accrued liabilities	90,390	176,053
Interim occupancy payments	649,009	29,307
	<u>780,272</u>	<u>252,791</u>
Cash flows from investing activities		
Acquisition of tangible capital assets	(1,041,095)	-
Repayment of mortgages receivable	401,453	380,584
Expenditures on residential projects	(1,302,552)	(1,694,862)
	<u>(1,942,194)</u>	<u>(1,314,278)</u>
Cash flows from financing activities		
Contributions received for residential project builds	1,003,585	1,429,247
Contributions received for tangible capital assets	232,383	-
Increase of long-term debt	390,000	-
Repayments of long term debt	(33,066)	(97,510)
Increase (decrease) of bank indebtedness	(504,000)	270,000
	<u>1,088,902</u>	<u>1,601,737</u>
Increase in Cash	(73,020)	540,250
Cash, beginning of the year	<u>1,173,975</u>	<u>633,725</u>
Cash, end of the year	<u>\$ 1,100,955</u>	<u>\$ 1,173,975</u>
Represented by:		
Unrestricted cash	\$ 1,095,254	\$ 1,171,546
Restricted cash	<u>5,701</u>	<u>2,429</u>
	<u>\$ 1,100,955</u>	<u>\$ 1,173,975</u>

The accompanying notes are an integral part of these financial statements.



---

# Habitat for Humanity National Capital Region

## Notes to Financial Statements

December 31, 2022

---

### 1. Significant Accounting Policies

Nature and Purpose of Organization	<p>Habitat for Humanity National Capital Region ("Habitat") was established on March 1, 1993 by letters patent under the Canada Corporations Act. Habitat for Humanity National Capital Region has been continued under the Canada Not-for-Profit Corporations Act. Habitat is a registered charity under the Income Tax Act and, as such, is exempt from income taxes and may issue income tax receipts to donors.</p> <p>The mission of Habitat for Humanity National Capital Region is to mobilize volunteers and communities to help working, lower income families build strength, stability and self-reliance through affordable home ownership. In order to support administrative and fundraising efforts, Habitat also operates retail stores, which sell donated, new and used materials, called "ReStore".</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.</p>
Financial Instruments	<p>Financial Instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, financial instruments are reported at cost or amortized cost. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.</p> <p>Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.</p>

---

## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2022

---

### 1. Significant Accounting Policies (continued)

Revenue Recognition	<p>Habitat for Humanity National Capital Region follows the deferral method of accounting. Unrestricted contributions including donations and fundraising are recognized as revenue when received or receivable. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred, or when the mortgage for the residential project is transferred, if applicable.</p> <p>Deferred contributions related to tangible capital assets represent the unamortized amount of donations and grants received for the purchase of tangible capital assets or contributed tangible capital assets. The amortization deferred contributions related to tangible capital assets is recorded as revenue in the statement of operations at the same amortization rate as the related tangible capital asset.</p> <p>The ReStore locations sell donated new and used materials. Revenue from ReStores is recognized at point of sale, if collection is reasonable assured.</p> <p>Revenue from projects is recognized when Habitat has transferred the significant risks and rewards of home ownership to the partner family, in that all significant acts have been completed and Habitat retains no continuing managerial involvement in, or effective control of, the home to a degree usually associated with ownership, and reasonable assurance exists regarding the measurement of consideration. Generally, this occurs upon transfer of property title to the partner family. The proceeds recognized are determined by reference to fair market value of the homes transferred. The proceeds are satisfied by cash received and mortgages issued by Habitat. These mortgages are recorded at amortized cost.</p> <p>Rental revenue from operating leases is recognized in income on a straight-line basis.</p>
Projects Under Development	<p>Projects under development, which include land, buildings and building materials, both purchased and donated, are 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 and the amount of non-forgivable mortgages to be assumed by partner families. Any excess of carrying value over net realizable value is expensed in the year in which the impairment is determined.</p>
Asset Held for Sale	<p>Asset held for sale is recorded at the lower of carrying amount or fair value less costs to sell.</p>

---

## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2022

---

### 1. Significant Accounting Policies (continued)

Tangible Capital Assets	<p>Tangible capital assets are recorded at cost less accumulated amortization. Amortization is based on the asset's estimated useful lives using the declining balance method unless it's stated otherwise:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 40px;">Computer software</td> <td style="text-align: right;">50%</td> </tr> <tr> <td>Vehicles</td> <td style="text-align: right;">30%</td> </tr> <tr> <td>Computer equipment</td> <td style="text-align: right;">30%</td> </tr> <tr> <td>Furniture and fixtures</td> <td style="text-align: right;">20%</td> </tr> <tr> <td>Leasehold improvements</td> <td style="text-align: right;">Straight line over lease term</td> </tr> <tr> <td>Titus Landing Building</td> <td style="text-align: right;">Straight line over 50 years</td> </tr> </table>	Computer software	50%	Vehicles	30%	Computer equipment	30%	Furniture and fixtures	20%	Leasehold improvements	Straight line over lease term	Titus Landing Building	Straight line over 50 years
Computer software	50%												
Vehicles	30%												
Computer equipment	30%												
Furniture and fixtures	20%												
Leasehold improvements	Straight line over lease term												
Titus Landing Building	Straight line over 50 years												
Restricted Net Assets	<p>Net assets invested in projects under development is equal to the carrying value of the mortgages receivable, residential projects, bank indebtedness, interim occupancy payments, long-term debt related to residential projects and deferred contributions for houses and land, plus the projects under development less long-term liabilities and deferred contributions related thereto.</p> <p>Net assets invested in tangible capital assets is equal to the carrying value of capital assets less deferred contributions related to tangible capital assets.</p> <p>Unrestricted net assets represent the residual net assets of Habitat.</p>												
Donated Materials and Services	<p>Donated materials are recorded when a fair value can be reasonably estimated and they would otherwise be purchased by Habitat. Donated goods that are received by Habitat from the Habitat for Humanity Canada's ("HFHC") gifts in kind program, are recorded at the fair value estimated by HFHC.</p> <p>Materials donated to the ReStore locations are not recorded as assets in the financial statements.</p> <p>A substantial number of volunteers make significant contributions of time to Habitat's programs and supporting services. The value of this contributed time is not reflected in the financial statements.</p>												

---

# Habitat for Humanity National Capital Region

## Notes to Financial Statements

December 31, 2022

---

### 1. Significant Accounting Policies (continued)

#### Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates. Significant estimates may include donated materials and services, the useful lives of tangible capital assets, valuation of projects under development, valuation of mortgage receivables, discount rate used for mortgages, and allocation of expenses.

#### Mortgages receivable

Habitat has issued second mortgages on some of the properties transferred, representing the forgivable portions of the mortgages. 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 operations as "mortgage discount for interest free mortgages." The non-forgivable portion of mortgages are non-interest bearing. Interest income on mortgages is recognized each year in the statement of operations as "notional interest on mortgages receivable" based on the prevailing interest rate at the inception of the mortgage.

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 3.355% to 6.0%.

#### 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.

---

## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2022

---

### 1. Significant Accounting Policies (continued)

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 any write-down is recognized in statement of operations. Any 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 any reversal is recognized in statement of operations.

Allocation of Expenses Habitat separately discloses a statement of operations (Schedule 1) for its ReStore locations. Habitat 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 ReStore locations and general organizational purposes.

---

---

## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2022

---

### 2. Mortgages Receivable

At December 31, 2022, there were 16 (2021 - 16) 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.

	2022	2021
Mortgages receivable	\$ 3,992,599	\$ 4,394,052
Less: Notional interest on non-interest bearing mortgages	(2,060,002)	(2,189,202)
Present value of mortgages receivable	1,932,597	2,204,850
Less: current portion of mortgages receivable	482,440	380,584
	\$ 1,450,157	\$ 1,824,266

---

### 3. Projects Under Development and Asset Held for Sale

	2022	2021
Leacross Landing Build	\$ 4,750,704	\$ 4,716,162
Kemptonville Korner Development	1,641,678	405,452
Mac Street Build	631,482	601,213
Nantes Street Build	109,044	102,127
Carleton Place Build	-	5,401
	\$ 7,132,908	\$ 5,830,355

During the year, loan interest of \$16,936 (2021 - \$27,647) has been capitalized to the cost of various projects under development.

During the year, Habitat had completed the project related to Leacross Landing Build. As a result, the asset was classified as held for sale.

---

## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2022

### 4. Tangible Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
General				
Computer software	\$ 28,461	\$ 28,406	\$ 28,461	\$ 28,350
Vehicles	59,334	45,862	59,334	40,088
Computer equipment	41,838	41,324	41,838	41,104
Furniture and fixtures	23,800	20,044	23,800	19,105
Leasehold improvements	328,138	60,148	217,795	38,863
	<u>481,571</u>	<u>195,784</u>	<u>371,228</u>	<u>167,510</u>
Rental properties				
Titus Landing - Building	3,113,434	-	2,182,682	-
Titus Landing - land	870,000	-	870,000	-
	<u>3,983,434</u>	<u>-</u>	<u>3,052,682</u>	<u>-</u>
	<u>4,465,005</u>	<u>195,784</u>	<u>3,423,910</u>	<u>167,510</u>
Net carrying amount		<u>\$ 4,269,221</u>		<u>\$ 3,256,400</u>

### 5. Line of Credit

At December 31, 2022, short-term bank credit facilities consisted of an operating line of credit in the amount of \$800,000 (2021 - \$800,000). The line of credit bears interest at Royal Bank of Canada's prime rate plus 1.70% per annum, and is secured by a general security agreement. During the year of 2022, there was transfer of \$500,000 from the unrestricted fund to the internally restricted fund for builds and mortgages to repay the line of credit included in the \$504,000 of transfer shown in the statement of net assets. As at December 31, 2022, Habitat has an undrawn credit capacity of \$729,000 (2021 - \$225,000) representing the revolving demand loan.

### 6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$20,294 (2021 - \$15,235).

---

## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2022

---

### 7. Deferred Contributions

Deferred contributions represent resources which, subject to external restrictions, are to be used to cover expenses in the subsequent years. The changes in the deferred contributions related to projects under development for the year are as follows:

	<u>2022</u>	<u>2021</u>
Deferred contributions designated for projects	\$ 3,679,981	\$ 2,803,249
Deferred revenue for ReStore locations	106,427	20,971
	<u>\$ 3,786,408</u>	<u>\$ 2,824,220</u>

---

### 8. Deferred Contributions Related to Tangible Capital Assets

Deferred contributions related to tangible capital assets include the unamortized portion of contributed tangible capital assets and restricted contributions used to purchase tangible capital assets.

	<u>2022</u>	<u>2021</u>
Deferred Contributions for Titus Landing Building	<u>\$ 2,228,120</u>	<u>\$ 1,995,737</u>

---



---

## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2022

---

### 9. Habitat for Humanity Canada

Habitat for Humanity National Capital Region is an affiliate of Habitat for Humanity Canada (HFHC). There is a covenant agreement between HFHC and all Canadian affiliates whereby HFHC provides administrative and marketing support, training opportunities and in-kind contributions. In exchange for these services and support, Habitat pays an affiliation fee consisting of basic fee of \$12,500 per affiliate vote for a total of \$25,000 per year; 20% of cash donations raised by HFHC; 20% of the fair value of the in-kind contributions procured by HFHC related to build; 15% of the fair value of in-kind contribution procured by HFHC related to ReStore locations, and 4% of gross sales of all ReStore locations. Habitat contributes a tithe for international work in the amount of \$5,000 (2021 - \$17,500).

At year end, due to HFHC amounted to \$47,669 (2021 - \$55,077) and is included in accounts payable and accrued liabilities. Included in the accounts receivable was an amount due from HFHC of \$47,843 (2021 - \$22,517) as at year end.

---

### 10. Contractual Obligations

Habitat entered a number of operating lease agreements for equipments and premises, the minimum annual payment for the next five years are as follows:

2023	\$490,291
2024	492,537
2025	497,207
2026	513,100
2027	519,947
Thereafter	<u>218,681</u>
	<u>\$2,731,763</u>

---

# Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2022

## 11. Financial Instruments

### Credit risk

Habitat is exposed to credit risk arising from its accounts receivables and mortgages receivable. Furthermore, Habitat is also exposed to credit risk arising in the event of non-payment of mortgages by the partner families. Management believes that the credit risk from non-collection of mortgages is minimal as the carrying value of the mortgages is substantially less than the fair value of the underlying homes. Habitat is also exposed to credit risk as all of its bank accounts are in one financial institution. There have not been any changes in the credit risk from the prior year.

### Interest rate risk

Habitat is exposed to interest rate risk on its fixed and variable interest rate financial instruments. The variable rate line of credit exposes Habitat to a cash flow risk, while the fixed rate long-term debt subjects Habitat to a fair value risk. There has been an increase in interest rate risk from previous year due to the interest rate hikes announced by the Bank of Canada.

## 12. Long-term Debt

	2022	2021
Community Forward Fund Mortgage, bears interest rate at 5.25%, repayable in blended monthly payment of principal and interest of \$4,093, secured by a general security agreement including land, building and equipment comprising the property, which has a net carrying value of \$631,482 (2023 - \$601,213). The loan matures in September 2027.	\$ 282,586	\$ 315,652
ReStore Impact Loans, bears interest rate at 1% due in quarterly payments, interest only, the entire loan is repayable by October 2024.	390,000	-
	672,586	315,652
Less: current portion	32,868	33,334
	\$ 639,718	\$ 282,318

The principal repayments to be made during the next five years are as follows: 2023, \$32,868; 2024, \$423,339; 2025, \$35,132; 2026, \$37,021; 2027, \$39,012. These payments have been calculated under the assumption that the repayment plan will be successfully renewed, based on the present payment terms and interest rates.

---

## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2022

---

### 13. Interfund Transfer

During the year, an amount of \$349,933 was transferred from the unrestricted fund to the internally restricted fund for builds and mortgages as well as the rental properties invested in tangible capital assets to fund the cash outlays for capital asset acquisitions, expenditures on residential projects, and mortgage issuance.

---

### 14. Comparative Figures

Certain figures for the previous year have been reclassified to conform to the presentation adopted in the current year.

Habitat for Humanity National Capital Region  
Schedule 1 - ReStore Operations

For the year ended December 31	2022	2021
Revenues	\$ 2,248,603	\$ 1,723,302
Expenses		
Advertising and promotion	11,480	10,322
Amortization of tangible capital assets	22,467	18,283
Bank charges and interest	29,970	19,679
Board, committee, and volunteer costs	3,583	582
Computer costs	11,440	37,658
Insurance	2,354	2,354
Office and other miscellaneous expense	71,463	56,925
Professional fees	9,986	5,587
Rent and utilities	637,115	619,318
Repairs and maintenance	106,855	73,356
Salaries and benefits	933,872	769,183
Telephone and internet	15,361	14,316
Vehicle	58,151	47,915
	<u>1,914,097</u>	<u>1,675,478</u>
Net ReStore Operations	<u>\$ 334,506</u>	<u>\$ 47,824</u>