

Financial Statements of

**HABITAT FOR HUMANITY
WINDSOR-ESSEX INC.**

And Independent Auditors' Report thereon

Year ended December 31, 2020

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Financial Statements

Year ended December 31, 2020

| | Page |
|------------------------------------|------|
| Independent Auditors' Report | 1 |
| Statement of Financial Position | 5 |
| Statement of Operations | 6 |
| Statement of Changes in Net Assets | 7 |
| Statement of Cash Flows | 8 |
| Notes to Financial Statements | 9 |



KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor, ON N8W 5K8
Telephone (519) 251-3500
Fax (519) 251-3530
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Habitat for Humanity Windsor-Essex Inc.

Qualified Opinion

We have audited the financial statements of Habitat for Humanity Windsor-Essex Inc. (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020 and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

Basis of Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities, 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 the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at end of December 31, 2020 and December 31, 2019
- the fundraising revenues and excess of revenues over expenses reported in the statements of operations for the years ended December 31, 2020 and December 31, 2019



- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2020 and December 31, 2019
- the excess of revenues over expenses reported in the statements of cash flows for the years ended December 31, 2020 and December 31, 2019

Our opinion on the financial statements for year ended December 31, 2019 was also qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter – Comparative Information

We draw attention to Note 16 to the financial statements ("Note 16"), which explains that certain comparative information presented for the year ended December 31, 2019 has been restated.

Note 16 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of the audit of the financial statements for the year ended December 31, 2020, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2019. In our opinion, such adjustments are appropriate and have been properly applied.

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

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

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



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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity 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.



- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor Canada

May 6, 2021

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Financial Position

December 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|---|---------------------|-----------------------------|
| | | (restated - see note 16) |
| Assets | | |
| Current assets: | | |
| Cash (note 2) | \$ 1,081,742 | \$ 519,651 |
| Investments (note 3) | 126,054 | 45,829 |
| Accounts receivable | 72,080 | 117,579 |
| Prepaid expenses | 32,966 | 38,285 |
| Mortgages receivable - current portion (note 4) | 179,244 | 144,753 |
| Property held for sale and development (note 5) | 171,762 | 880,099 |
| | <u>1,663,848</u> | <u>1,746,196</u> |
| Investments - long term (note 3) | 85,380 | 160,000 |
| Mortgages receivable (note 4) | 2,256,653 | 1,658,096 |
| Capital assets (note 6) | 211,299 | 304,033 |
| | <u>\$ 4,217,180</u> | <u>\$ 3,868,325</u> |

Liabilities and Net Assets

| | | |
|---|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 7) | \$ 102,839 | \$ 150,141 |
| Deferred contributions (note 9) | 277,733 | 195,710 |
| | <u>380,572</u> | <u>345,851</u> |
| Deferred capital contributions (note 9) | 56,600 | 84,900 |
| Net assets | | |
| Unrestricted | 1,189,412 | 1,415,592 |
| Invested in capital assets (note 11) | 154,699 | 219,133 |
| Internally restricted funds (note 10) | 2,435,897 | 1,802,849 |
| | <u>3,780,008</u> | <u>3,437,574</u> |
| Contingencies (note 13) | | |
| Commitments (note 14) | | |
| Impact of COVID-19 (note 15) | | |
| | <u>\$ 4,217,180</u> | <u>\$ 3,868,325</u> |

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Operations

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

| | 2020 | 2019 |
|---|-------------------|-----------------------------|
| | | (restated - see note 16) |
| Revenue: | | |
| Fundraising and donations | \$ 35,908 | \$ 75,110 |
| Restore | 1,552,974 | 1,508,064 |
| Grants | 246,913 | 177,187 |
| Amortization of deferred capital contributions (note 9) | 28,300 | 14,150 |
| Government assistance (note 8) | 191,132 | - |
| Other income | 113,988 | 86,786 |
| | <u>2,169,215</u> | <u>1,861,297</u> |
| Expenses: | | |
| Advertising and promotion | 28,287 | 61,500 |
| Amortization of capital assets | 92,734 | 102,883 |
| Interest and bank charges | 19,773 | 15,704 |
| Office | 81,783 | 101,375 |
| Professional services | 15,381 | 19,842 |
| Tithing | 208,465 | 140,737 |
| Facility | 371,001 | 303,871 |
| Special projects | 34,776 | 57,392 |
| Truck | 97,373 | 117,583 |
| Volunteer | 2,525 | 9,075 |
| Wages and benefits | 1,092,564 | 985,490 |
| Meetings and committee expenses | 2,300 | 17,981 |
| | <u>2,046,962</u> | <u>1,933,433</u> |
| Excess (deficiency) of revenue over expenses before the undernoted | 122,253 | (72,136) |
| Home sales and cost of sales: | | |
| Home sales | 862,000 | 416,000 |
| HFHC distribution | 147,443 | 277,421 |
| Mortgage discount adjustment | 339,446 | 374,331 |
| Other | 19,800 | 5,600 |
| Cost of home sales and building operations | (746,063) | (451,085) |
| New mortgage discount expense | (402,445) | (239,519) |
| | <u>220,181</u> | <u>382,748</u> |
| Excess of revenue over expenses | <u>\$ 342,434</u> | <u>\$ 310,612</u> |

See accompanying notes to financial statements.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Changes in Net Assets

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

| | Internally restricted funds (note 10) | Invested in capital assets (note 11) | Unrestricted | 2020 | 2019 Total (restated - see note 16) |
|--|---|--|--------------|--------------|--|
| Balance, beginning of year (restated - note 16) | \$ 1,802,849 | \$ 219,133 | \$ 1,415,592 | \$ 3,437,574 | \$ 3,126,962 |
| Excess (deficiency) of revenue over expenses | - | (64,434) | 406,868 | 342,434 | 310,612 |
| Interfund transfers | 633,048 | - | (633,048) | - | - |
| Balance, end of year | \$ 2,435,897 | \$ 154,699 | \$ 1,189,412 | \$ 3,780,008 | \$ 3,437,574 |

See accompanying notes to financial statements.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Cash Flows

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

| | 2020 | 2019 (restated - see note 16) |
|---|---------------------|-------------------------------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess of revenue over expenses | \$ 342,434 | \$ 310,612 |
| Amortization of capital assets | 92,734 | 102,883 |
| Amortization of deferred capital contributions | (28,300) | (14,150) |
| Mortgage discount adjustment | (339,446) | (374,331) |
| Mortgage discount expense | 402,445 | 239,519 |
| Change in non-cash operating working capital: | | |
| Decrease (increase) in accounts receivable | 45,499 | (54,395) |
| Decrease (increase) in prepaid expenses | 5,319 | (2,690) |
| Decrease in accounts payable and accrued liabilities | (47,302) | (58,268) |
| Increase in deferred contributions | 82,023 | 48,113 |
| | <u>555,406</u> | <u>197,293</u> |
| Investing activities: | | |
| Increase in mortgages receivable | (997,274) | (425,199) |
| Repayment of mortgages receivable | 301,227 | 302,812 |
| Decrease (increase) in property held for sale | 708,337 | (207,474) |
| Increase in investments | (5,605) | (5,829) |
| Purchases of capital assets | - | (201,578) |
| | <u>6,685</u> | <u>(537,268)</u> |
| Increase (decrease) in cash | 562,091 | (339,975) |
| Cash, beginning of year | 519,651 | 859,626 |
| Cash, end of year | <u>\$ 1,081,742</u> | <u>\$ 519,651</u> |

See accompanying notes to financial statements.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements

Year ended December 31, 2020

Habitat for Humanity Windsor-Essex Inc. (the "Organization") is incorporated without share capital under the Corporation Act of Ontario. The Organization is a non-profit organization dedicated to improving the lives of economically disadvantaged persons by constructing or renovating homes for the working poor and providing interest free mortgages to enable them to pay for such homes or renovations. Mortgages on homes are non-interest bearing.

The Organization is a charitable organization registered under the Income Tax Act and as such is exempt from income taxes and able to issue donation receipts for income tax purposes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which include donations and government grants.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restore sales consist entirely of donated merchandise. Revenue from sales of restore goods is recognized when the goods are sold.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(b) Capital assets:

Capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Amortization is provided over the estimated useful lives of the assets using the straight-line method at the following rates:

| Asset | Rate |
|------------------------|----------|
| Computer Equipment | 3 years |
| Vehicles | 5 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | 10 years |

(c) Property held for sale:

Property held for sale, which includes land and buildings and building materials, both purchased and donated, is recorded at the lower of cost and net realizable value.

(d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Donated goods and services are recorded when a fair value can be reasonably estimated and they would otherwise be purchased if not donated.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(e) Mortgages receivable:

The Organization provides non-interest bearing mortgages to its Partner Families. Mortgages receivable are initially measured at the fair value of the consideration given when the Organization becomes party to the signed mortgage and are subsequently recognized at amortized cost.

Prior to December 31, 2009, when a house was sold or renovation was completed, the new homeowner provided a first mortgage which was determined based on a formula using the cost of construction of the home. The home was then appraised and the difference between the appraised value and the first mortgage was the amount of value assigned to the second mortgage given to the homeowner. Subsequent to 2009, mortgages are based solely on the appraised value of the home. The second mortgages are forgivable to the Partner Families if certain conditions are met. Due to the uncertainty of collection, the second mortgages are recognized at a fair value of zero. If conditions arise that require forgivable portions to be repaid, or the right to forgiveness has been forfeited, the previously forgivable portion will be recognized in revenue.

(f) Government assistance:

Government assistance related to current expenses and revenue is included in the determination of net income for the period. Government assistance related to capital expenditures is recorded as a reduction of the cost of the related item of capital assets, fixed assets, property, plant and equipment.

(g) Use of estimates:

The preparation of financial statements 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 expenses during the year. Items subject to estimates and assumptions include the carrying value of mortgages receivable, value of donated goods, and net realizable value of properties held for sale. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Cash:

Included in cash are amounts totaling \$441,902 (2019 - \$110,535) designated for home builds.

3. Investments:

Investments consist of guaranteed investment certificates with redemption terms between November 2021 and November 2023.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Mortgages receivable:

| | 2020 | 2019 (restatement – note 16) |
|---------------------------------------|---------------------|------------------------------------|
| Gross mortgages receivable | \$ 4,225,934 | \$ 3,622,231 |
| Less: Unamortized mortgage discount | (1,790,037) | (1,819,382) |
| Present value of mortgages receivable | 2,435,897 | 1,802,849 |
| Less: Current portion | (179,244) | (144,753) |
| | <u>\$ 2,256,653</u> | <u>\$ 1,658,096</u> |

(i) During 2020, 3 mortgages (2019 - 2) were signed with associated home costs of \$904,930 (2019 - \$425,199). At December 31, 2020, 43 (2019 - 42) mortgages remain outstanding. A mortgage discount expense of \$402,445 (2019 - \$239,519) was recognized on mortgages during the year.

(ii) First mortgages bear no interest, are secured by a charge on the specific property, and are receivable in monthly instalments with varying term.

(iii) Up to 2009, the second mortgage was calculated by taking the difference between the actual cost of the home and the appraised value of each home at the time it is sold to the recipient.

The terms are as follows:

- The second mortgage may be reduced by a maximum of 25% after a period of 12 years.
- The remaining 75% may be forgiven once the first mortgage is paid off or the mortgage is discharged.

(iv) At December 31, 2020, 34 (2019 - 37) second mortgages remain, totaling \$977,000 (2019- \$1,085,469). Included in this amount is \$578,125 (2019 - \$686,594) of forgivable second mortgages. These balances are reflected at a fair value of \$nil. During 2020 there were 3 (2019 - 1) second mortgages forgiven. The remaining second mortgages are not due until the Partner family sells the home, refinances, transfers title or defaults on the mortgage agreement.

(v) As of 2010, the affiliate policy is that a home will be sold to a partner family at fair market value, as determined by a qualified independent appraiser.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Property held for sale and development:

| | 2020 | 2019 |
|-----------------------|------------|------------|
| Stoney Point Property | \$ 92,199 | \$ 92,199 |
| St. Luke Property | 79,563 | 79,563 |
| Birch Road | - | 259,189 |
| Maple – Kingsville | - | 210,333 |
| St. Luke St. | - | 238,815 |
| | \$ 171,762 | \$ 880,099 |

6. Capital assets:

| | | | 2020 | 2019 |
|------------------------|------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Computer equipment | \$ 133,967 | \$ 127,165 | \$ 6,802 | \$ 23,866 |
| Vehicles | 311,707 | 228,373 | 83,334 | 130,556 |
| Furniture and Fixtures | 99,748 | 43,536 | 56,212 | 76,161 |
| Leasehold Improvements | 84,990 | 20,039 | 64,951 | 73,450 |
| | \$ 630,412 | \$ 419,113 | \$ 211,299 | \$ 304,033 |

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$16,187 (2019 - \$12,430), which includes amounts payable for WSIB and payroll-related remittances.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Government assistance:

In March 2020, in response to the COVID-19 pandemic, the Government of Canada introduced the Canada Emergency Wage Subsidy program. The program aids those companies that experienced a reduction in revenues as a result of the pandemic and the measures taken to prevent its spread. Under the program, an eligible company could apply for the subsidy and receive a portion of each employees' wage, up to a maximum predetermined amount. During 2020, the Organization met the criteria for nine periods and received a subsidy of \$182,515.

In November 2020, the Government of Canada introduced the Canada Emergency Rent Subsidy program. The program aids those companies that experienced a reduction in revenues as a result of the pandemic and the measures taken to prevent its spread. Under the program, an eligible company could apply for the subsidy and receive an amount to cover part of their commercial rent or property expenses, up to a maximum predetermined amount. During 2020, the Organization met the criteria for three periods and received a subsidy of \$8,617.

The Organization has reported the subsidies as other income in the Statement of Operations.

9. Deferred contributions:

Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent resources restricted for specific future expenditures:

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Balance, beginning of year | \$ 195,710 | \$ 147,597 |
| Less: amount recognized as revenue | 261,713 | 145,687 |
| Add: amount received related to future periods | 343,736 | 193,800 |
| | <u>\$ 277,733</u> | <u>\$ 195,710</u> |

Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of contributions received for the purchase of capital assets:

| | 2020 | 2019 |
|----------------------------|------------------|------------------|
| Balance, beginning of year | \$ 84,900 | \$ 99,050 |
| Less: amount amortized | 28,300 | 14,150 |
| | <u>\$ 56,600</u> | <u>\$ 84,900</u> |

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

10. Internally restricted funds:

The following are funds which have been set aside for specific purposes by the Board of Directors:

| | 2020 | 2019 (restatement – note 16) |
|-----------------------------|--------------|------------------------------------|
| Reserved for property taxes | \$ 15,000 | \$ 15,000 |
| Reserved for future builds | 441,902 | 110,535 |
| Fund for Humanity | 1,978,995 | 1,677,314 |
| Balance, end of year | \$ 2,435,897 | \$ 1,802,849 |

11. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

| | 2020 | 2019 |
|--------------------------------|------------|------------|
| Capital assets | \$ 211,299 | \$ 304,033 |
| Amounts financed by: | | |
| Deferred capital contributions | 56,600 | 84,900 |
| | \$ 154,699 | \$ 219,133 |

(b) Change in net assets invested in capital assets is calculated as follows:

| | 2020 | 2019 |
|--|-------------|--------------|
| Excess (deficiency) of revenue over expenses: | | |
| Amortization of capital assets | \$ (92,734) | \$ (102,883) |
| Amortization of deferred capital contributions | 28,300 | 14,150 |
| | (64,434) | (88,733) |
| Purchase of capital assets | - | 201,578 |
| | \$ (64,434) | \$ 112,845 |

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

12. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2019.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable and mortgages receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no change to the risk exposure from 2019.

13. Contingencies:

From time to time, the Organization is involved in various litigation matters arising in the ordinary course of its business. The Organization has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Organization's financial position, results of operations or its ability to carry on any of its business activities.

14. Commitments:

The Organization leases a building for the store located in Windsor. The future minimum payments for leases are as follows:

| | | |
|--------|----|-----------|
| 2021 | \$ | 352,481 |
| 2022 | | 352,481 |
| 2023 | | 352,481 |
| 2024 | | 352,481 |
| 2025 | | 352,481 |
| Beyond | | 1,409,924 |
| | | <hr/> |
| | \$ | 3,172,329 |

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

15. Impact of COVID-19:

The COVID-19 pandemic evolved rapidly over the course of the 2020 fiscal year. The outbreak of a new coronavirus in Wuhan, China was identified on January 7 and it was not until March 11 that COVID-19 was declared a pandemic by the WHO. As a result of the measures to contain the outbreak, uncertainty remains as to the full impacts of COVID-19 on the global economy and the Organization's financial results. As a result, the Organization cannot reasonably estimate the length or severity of the COVID-19 pandemic, or the extent to which the disruption caused by the pandemic may materially impact its operations and financial results in fiscal year 2021.

16. Restatement of comparative figures:

The Organization made adjustments to the 2019 comparative figures as a result of the following change:

Before 2020, the fair value of Mortgages receivable had not been discounted using a prevailing market rate of interest for a similar instrument. The fair value that was being used was equal to the appraised values, without considering that the interest rate on the mortgages is zero. The fair value of a financial instrument with a non-market rate of interest should be estimated as the present value of all future cash receipts discounted using the prevailing market rates of interest for similar instruments.

The following table summarizes the adjustments made to the balance sheet:

| | Mortgage receivables | Deferred revenue | Unrestricted net assets | Internally restricted net assets |
|--------------------------------------|-------------------------|---------------------|----------------------------|--|
| Balance at December 31, 2019 | \$ 3,477,478 | \$ 885,938 | \$ 1,290,057 | \$ 2,861,828 |
| Correction of error | (1,819,382) | (885,938) | 125,535 | (1,058,979) |
| Revised balance December 31, 2019 | \$ 1,658,096 | \$ - | \$ 1,415,592 | \$ 1,802,849 |

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

16. Restatement of comparative figures (continued):

The following table summarizes the adjustments made to the statement of income:

| | Mortgage discount adjustment | New mortgage discount expense | Net home builds income | Excess of revenue over expenses |
|---|------------------------------------|-------------------------------------|------------------------------|---------------------------------------|
| Balance at December 31, 2019 | \$ - | \$ - | \$ 247,936 | \$ 175,800 |
| Correction of error | 374,331 | (239,519) | 134,812 | 134,812 |
| Revised balance at December 31, 2019 | \$ 374,331 | \$ (239,519) | \$ 382,748 | \$ 310,612 |