

Financial Statements of

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

And Independent Auditor's Report thereon

Year ended December 31, 2023

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

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KPMG LLP

618 Greenwood Centre
3200 Deziel Drive
Windsor, ON N8W 5K8
Canada
Telephone 519 251 3500
Fax 519 251 3530

INDEPENDENT AUDITOR'S 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, 2023
- 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 auditor's report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023 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, 2023 and December 31, 2022
- the fundraising revenues and excess of revenues over expenses reported in the statements of operations for the years ended December 31, 2023 and December 31, 2022
- 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, 2023 and December 31, 2022



- the excess of revenues over expenses reported in the statements of cash flows for the years ended December 31, 2023 and December 31, 2022

Our opinion on the financial statements for year ended December 31, 2023 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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's 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.

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.

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 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.



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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 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 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 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Windsor Canada

April 30, 2024.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash (note 2)	\$ 546,467	\$ 1,156,163
Investments (note 3)	134,526	175,210
Accounts receivable	119,469	124,363
Prepaid expenses	49,148	34,598
Mortgages receivable - current portion (note 4)	282,563	179,460
Property held for sale and development (note 5)	1,592,204	1,314,467
	<u>2,724,377</u>	<u>2,984,261</u>
Investments - long term (note 3)	91,536	45,375
Mortgages receivable (note 4)	2,774,756	2,451,486
Capital assets (note 6)	198,028	210,855
	<u>\$ 5,788,697</u>	<u>\$ 5,691,977</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 249,617	\$ 607,813
Deferred contributions (note 8)	634,000	836,190
	<u>883,617</u>	<u>1,444,003</u>
Deferred capital contributions (note 8)	3,262	4,500
Net assets:		
Unrestricted	1,649,733	1,406,173
Internally restricted funds (note 9)	3,057,319	2,630,946
Invested in capital assets (note 10)	194,766	206,355
	<u>4,901,818</u>	<u>4,243,474</u>
Contingencies (note 12)		
Commitments (note 13)		
	<u>\$ 5,788,697</u>	<u>\$ 5,691,977</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, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Fundraising and donations	\$ 280,369	\$ 153,418
Restore	2,313,366	2,042,920
Grants	288,835	775,167
Amortization of deferred capital contributions (note 8)	1,238	28,800
Other income	178,522	160,227
	<u>3,062,330</u>	<u>3,160,532</u>
Expenses:		
Advertising and promotion	31,671	34,859
Amortization of capital assets	98,086	94,191
Interest and bank charges	26,804	25,206
Office	127,591	96,493
Professional services	43,153	36,357
Tithing	254,634	272,800
Facility	369,337	365,520
Special projects	61,351	47,887
Truck	168,788	151,984
Volunteer	9,472	7,331
Wages and benefits	1,417,991	1,296,654
Meetings and committee expenses	25,122	6,487
	<u>2,634,000</u>	<u>2,435,769</u>
Excess of revenue over expenses before the undernoted	428,330	724,763
Home sales and cost of sales:		
Home sales	960,000	2,468,973
HFHC distribution	350,121	471,823
Mortgage discount adjustment	261,259	(239,305)
Other	(25,706)	(19,478)
Cost of home sales and building operations	(581,848)	(1,877,026)
New mortgage discount expense	(733,812)	(1,469,990)
	<u>230,014</u>	<u>(665,003)</u>
Excess of revenue over expenses	\$ 658,344	\$ 59,760

See accompanying notes to financial statements.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

	Unrestricted	Internally restricted funds (note 9)	Invested in capital assets (note 10)	2023 Total	2022 Total
Balance, beginning of year	\$ 1,406,173	\$ 2,630,946	\$ 206,355	\$ 4,243,474	\$ 4,183,714
Excess of revenue over expenses	755,192	-	(96,848)	658,344	59,760
Interfund transfers	(511,632)	426,373	85,259	-	-
Balance, end of year	\$ 1,649,733	\$ 3,057,319	\$ 194,766	\$ 4,901,818	\$ 4,243,474

See accompanying notes to financial statements.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 658,344	\$ 59,760
Amortization of capital assets	98,086	94,191
Amortization of deferred capital contributions	(1,238)	(28,800)
Mortgage discount adjustment	(261,259)	239,305
Mortgage discount expense	733,812	1,469,990
Change in non-cash operating working capital:		
Decrease in accounts receivable	4,895	80,406
Increase in prepaid expenses	(14,550)	(2,463)
Increase (decrease) in accounts payable and accrued liabilities	(358,195)	223,020
Decrease in deferred contributions	(202,190)	(440,919)
	657,705	1,694,490
Investing activities:		
Increase in mortgages receivable	(1,085,586)	(2,211,729)
Repayment of mortgages receivable	186,659	488,454
Decrease (increase) in property held for sale	(277,737)	531,899
Increase in investments	(5,478)	(4,176)
Purchases of capital assets	(85,259)	(124,559)
	(1,267,401)	(1,320,111)
Increase (decrease) in cash	(609,696)	374,379
Cash, beginning of year	1,156,163	781,784
Cash, end of year	\$ 546,467	\$ 1,156,163

See accompanying notes to financial statements.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements

Year ended December 31, 2023

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.

Home sales are recognized at the date the mortgage is entered into, at which time all the rights and responsibilities of ownership are transferred to partner families.

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

(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.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(b) Capital assets (continued):

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.

(e) Mortgages receivable:

The Organization provides non-interest bearing mortgages to its Partner Families. Mortgage receivables 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.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(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.

(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.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Cash:

Included in cash are amounts totaling \$203,945 (2022 - \$706,513) designated for home builds.

3. Investments:

Investments consist of guaranteed investment certificates with redemption terms between April 2024 and December 2025.

4. Mortgages receivable:

	2023	2022
Gross mortgages receivable	\$ 6,873,928	\$ 6,034,627
Less: Unamortized mortgage discount	(3,816,609)	(3,403,681)
Present value of mortgages receivable	3,057,319	2,630,946
Less: Current portion	(282,563)	(179,460)
	<u>\$ 2,774,756</u>	<u>\$ 2,451,486</u>

(i) During 2023, 2 mortgages (2022 - 4) were signed with associated amounts of \$1,085,586 (2022 - \$2,211,729). At December 31, 2023, 42 (2022 - 42) mortgages remain outstanding. A mortgage discount expense of \$733,812 (2022 - \$1,469,990) 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, 2023, 27 (2022 - 29) second mortgages remain, totaling \$755,781 (2022- \$815,406). Included in this amount is \$380,156 (2022 - \$416,531) of forgivable second mortgages. These balances are reflected at a fair value of \$nil. During 2023 there were 2 second mortgages forgiven (2022 - 2). The remaining second mortgages are not due until the Partner family sells the home, refinances, transfers title or defaults on the mortgage agreement.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Mortgages receivable (continued):

- (v) As of 2021, the affiliate policy states that should a family wish to sell their home, the increase in value of the property shall be provided to the family and the organization in such a manner depending on the number of years that the family has occupied the home.

5. Property held for sale and development:

	2023	2022
Stoney Point Property	\$ 99,856	\$ 95,400
Henry Ford Centre Drive Property	468,906	718,744
Brock Street Property	105,477	101,427
Baby Street Property	656,828	199,132
Peter Street Property	261,137	199,764
	<u>\$ 1,592,204</u>	<u>\$ 1,314,467</u>

6. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 126,953	\$ 119,288	\$ 7,665	\$ 4,218
Vehicles	524,208	377,878	146,330	140,644
Furniture and Fixtures	103,521	100,503	3,018	16,999
Leasehold Improvements	84,990	43,975	41,015	48,994
	<u>\$ 839,672</u>	<u>\$ 641,644</u>	<u>\$ 198,028</u>	<u>\$ 210,855</u>

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$10,110 (2022 - \$18,126), 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, 2023

8. Deferred contributions:

Expenses of future periods:

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

	2023	2022
Balance, beginning of year	\$ 836,190	\$ 1,277,109
Less: amount recognized as revenue	248,190	508,419
Add: amount received related to future periods	46,000	67,500
Balance, end of year	\$ 634,000	\$ 836,190

Capital assets:

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

	2023	2022
Balance, beginning of year	\$ 4,500	\$ 28,300
Add: additions	—	5,000
Less: amount amortized	1,238	28,800
Balance, end of year	\$ 3,262	\$ 4,500

9. Internally restricted funds:

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

	2023	2022
Reserved for property taxes	\$ 15,000	\$ 15,000
Reserved for future builds	203,945	706,513
Fund for Humanity	2,838,374	1,909,433
	\$ 3,057,319	\$ 2,630,946

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

10. Invested in capital assets:

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

	2023	2022
Capital assets	\$ 198,028	\$ 210,855
Amounts financed by:		
Deferred capital contributions	3,262	4,500
	\$ 194,766	\$ 206,355

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

	2023	2022
Deficiency of revenue over expenses:		
Amortization of capital assets	\$ (98,086)	\$ (94,191)
Amortization of deferred capital contributions	1,238	28,800
	(96,848)	(65,391)
Purchase of capital assets	85,259	124,559
	\$ (11,589)	\$ 59,168

11. 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 2022.

(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 2022.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

12. 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.

13. Commitments:

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

2024	\$	352,481
2025		352,481
2026		352,481
2027		352,481
Thereafter		704,962
	\$	2,114,886
