

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2021

# HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

## Financial Statements

Year ended December 31, 2021

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## **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, 2021
- 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, 2021 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, 2021 and December 31, 2020
- the fundraising revenues and excess of revenues over expenses reported in the statements of operations for the years ended December 31, 2021 and December 31, 2020



- 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, 2021 and December 31, 2020
- the excess of revenues over expenses reported in the statements of cash flows for the years ended December 31, 2021 and December 31, 2020

Our opinion on the financial statements for year ended December 31, 2020 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.

### ***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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Windsor Canada

April 27, 2022

# HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

## Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash (note 2)	\$ 781,784	\$ 1,081,742
Investments (note 3)	172,441	126,054
Accounts receivable	204,769	72,080
Prepaid expenses	32,135	32,966
Mortgages receivable - current portion (note 4)	195,522	179,244
Property held for sale and development (note 5)	1,846,366	171,762
	<u>3,233,017</u>	<u>1,663,848</u>
Investments - long term (note 3)	43,968	85,380
Mortgages receivable (note 4)	2,421,444	2,256,653
Capital assets (note 6)	175,487	211,299
	<u>\$ 5,873,916</u>	<u>\$ 4,217,180</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 384,793	\$ 102,839
Deferred contributions (note 8)	1,277,109	277,733
	<u>1,661,902</u>	<u>380,572</u>
Deferred capital contributions (note 8)	28,300	56,600
Net assets		
Unrestricted	1,419,561	1,189,412
Internally restricted funds (note 10)	2,616,966	2,435,897
Invested in capital assets (note 11)	147,187	154,699
	<u>4,183,714</u>	<u>3,780,008</u>
Contingencies (note 13)		
Commitments (note 14)		
	<u>\$ 5,873,916</u>	<u>\$ 4,217,180</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, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Fundraising and donations	\$ 115,590	\$ 35,908
Restore	1,621,874	1,552,974
Grants	143,497	246,913
Amortization of deferred capital contributions (note 8)	28,300	28,300
Other income (note 9)	318,946	305,120
	<u>2,228,207</u>	<u>2,169,215</u>
Expenses:		
Advertising and promotion	30,206	28,287
Amortization of capital assets	62,475	92,734
Interest and bank charges	22,029	19,773
Office	75,824	81,783
Professional services	22,921	15,381
Tithing	192,028	208,465
Facility	349,400	371,001
Special projects	37,260	34,776
Truck	129,795	97,373
Volunteer	2,634	2,525
Wages and benefits	1,095,456	1,092,564
Meetings and committee expenses	4,678	2,300
	<u>2,024,706</u>	<u>2,046,962</u>
Excess of revenue over expenses before the undernoted	203,501	122,253
Home sales and cost of sales:		
Home sales	432,800	862,000
HFHC distribution	158,950	147,443
Mortgage discount adjustment	228,845	339,446
Other	-	19,800
Cost of home sales and building operations	(413,321)	(746,063)
New mortgage discount expense	(207,069)	(402,445)
	<u>200,205</u>	<u>220,181</u>
Excess of revenue over expenses	<u>\$ 403,706</u>	<u>\$ 342,434</u>

See accompanying notes to financial statements.

# HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

## Statement of Changes in Net Assets

Year ended December 31, 2021, with comparative information for 2020

	Unrestricted	Internally restricted funds (note 10)	Invested in capital assets (note 11)	2021 Total	2020 Total
Balance, beginning of year	\$ 1,189,412	\$ 2,435,897	\$ 154,699	\$ 3,780,008	\$ 3,437,574
Excess of revenue over expenses	437,881	-	(34,175)	403,706	342,434
Interfund transfers	(207,732)	181,069	26,663	-	-
Balance, end of year	\$ 1,419,561	\$ 2,616,966	\$ 147,187	\$ 4,183,714	\$ 3,780,008

See accompanying notes to financial statements.

# HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

## Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 403,706	\$ 342,434
Amortization of capital assets	62,475	92,734
Amortization of deferred capital contributions	(28,300)	(28,300)
Mortgage discount adjustment	(228,845)	(339,446)
Mortgage discount expense	207,069	402,445
Gain on sale of capital assets	(6,913)	-
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(132,689)	45,499
Decrease in prepaid expenses	831	5,319
Increase (decrease) in accounts payable and accrued liabilities	281,954	(47,302)
Increase in deferred contributions	999,376	82,023
	<u>1,558,664</u>	<u>555,406</u>
Investing activities:		
Increase in mortgages receivable	(432,800)	(997,274)
Repayment of mortgages receivable	273,507	301,227
Decrease (increase) in property held for sale	(1,674,604)	708,337
Increase in investments	(4,975)	(5,605)
Purchases of capital assets	(44,750)	-
Proceeds on sale of capital assets	25,000	-
	<u>(1,858,622)</u>	<u>6,685</u>
Increase (decrease) in cash	(299,958)	562,091
Cash, beginning of year	1,081,742	519,651
Cash, end of year	<u>\$ 781,784</u>	<u>\$ 1,081,742</u>

See accompanying notes to financial statements.

# HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements

Year ended December 31, 2021

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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.

# HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 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, 2021

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## 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, 2021

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## 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 \$327,661 (2020 - \$441,902) designated for home builds.

## 3. Investments:

Investments consist of guaranteed investment certificates with redemption terms between November 2022 and November 2023.

# HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 4. Mortgages receivable:

	2021	2020
Gross mortgages receivable	\$ 4,385,228	\$ 4,225,934
Less: Unamortized mortgage discount	(1,768,262)	(1,790,037)
Present value of mortgages receivable	2,616,966	2,435,897
Less: Current portion	(195,522)	(179,244)
	\$ 2,421,444	\$ 2,256,653

(i) During 2021, 1 mortgage (2020 - 3) was signed with associated home costs of \$432,800 (2020 - \$904,930). At December 31, 2021, 40 (2020 - 43) mortgages remain outstanding. A mortgage discount expense of \$207,069 (2020 - \$402,445) 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, 2021, 31 (2020 - 34) second mortgages remain, totaling \$889,281 (2020- \$977,000). Included in this amount is \$490,406 (2020 - \$578,125) of forgivable second mortgages. These balances are reflected at a fair value of \$nil. During 2020 there were no second mortgages forgiven (2020 - 3). 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, 2021

## 5. Property held for sale and development:

	2021	2020
Stoney Point Property	\$ 92,199	\$ 92,199
St. Luke Road Property	845,333	79,563
Henry Ford Centre Drive Property	272,662	-
Brock Street Property	101,427	-
Baby Street Property	199,134	-
Peter Street Property	199,764	-
3D Printing Project	135,847	-
	<u>\$ 1,846,366</u>	<u>\$ 171,762</u>

## 6. Capital assets:

	2021		2020	
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 133,967	\$ 133,967	\$ -	\$ 6,802
Vehicles	328,632	246,380	82,252	83,334
Furniture and Fixtures	99,748	63,486	36,262	56,212
Leasehold Improvements	84,990	28,017	56,973	64,951
	<u>\$ 647,337</u>	<u>\$ 471,850</u>	<u>\$ 175,487</u>	<u>\$ 211,299</u>

## 7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$13,214 (2020 - \$16,187), 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, 2021

## 8. Deferred contributions:

Expenses of future periods:

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

	2021	2020
Balance, beginning of year	\$ 277,733	\$ 195,710
Less: amount recognized as revenue	48,597	261,713
Add: amount received related to future periods	1,047,973	343,736
	\$ 1,277,109	\$ 277,733

Capital assets:

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

	2021	2020
Balance, beginning of year	\$ 56,600	\$ 84,900
Less: amount amortized	28,300	28,300
	\$ 28,300	\$ 56,600

# HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 9. 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 2021, the Organization met the criteria for seven periods and received a subsidy of \$195,095 (2020 - \$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 2021, the Organization met the criteria for seven periods and received a subsidy of \$86,760 (2020 - \$8,617).

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

## 10. Internally restricted funds:

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

	2021	2020
Reserved for property taxes	\$ 15,000	\$ 15,000
Reserved for future builds	327,661	441,902
Fund for Humanity	2,274,335	1,978,995
Balance, end of year	\$ 2,616,966	\$ 2,435,897

# HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 11. Invested in capital assets:

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

	2021	2020
Capital assets	\$ 175,487	\$ 211,299
Amounts financed by:		
Deferred capital contributions	28,300	56,600
	\$ 147,187	\$ 154,699

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

	2021	2020
Excess (deficiency) of revenue over expenses:		
Amortization of capital assets	\$ (62,475)	\$ (92,734)
Amortization of deferred capital contributions	28,300	28,300
Gain on sale of capital assets	6,913	-
	(27,262)	(64,434)
Purchase of capital assets	44,750	-
Proceeds on sale of capital assets	(25,000)	-
	\$ (7,512)	\$ (64,434)

## 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 2020.

# HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 12. Financial risks and concentration of credit risk (continued):

### (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 2020.

## 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:

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2022	352,481
2023	352,481
2024	352,481
2025	352,481
Beyond	1,409,924
	<hr/>
	\$ 2,819,848

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