

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2019

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Financial Statements

Year ended December 31, 2019

	Page
Independent Auditors' Report	1
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8



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, 2019
- 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, 2018 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, 2019 and December 31, 2018
- the fundraising revenues and excess of revenues over expenses reported in the statements of operations for the years ended December 31, 2019 and December 31, 2018



- 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, 2019 and December 31, 2018
- the excess of revenues over expenses reported in the statements of cash flows for the years ended December 31, 2019 and December 31, 2018.

Our opinion on the financial statements for year ended December 31, 2018 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Windsor Canada
April 29, 2020

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash (note 2)	\$ 519,651	\$ 859,626
Investments (note 3)	45,829	40,000
Accounts receivable	117,579	63,184
Prepaid expenses	38,285	35,595
Mortgages receivable - current portion (note 4)	144,753	165,513
Property held for sale and development (note 5)	880,099	672,625
	<u>1,746,196</u>	<u>1,836,543</u>
Investments - long term (note 3)	160,000	160,000
Mortgages receivable (note 4)	3,477,478	3,357,893
Capital assets (note 6)	304,033	205,338
	<u>\$ 5,687,707</u>	<u>\$ 5,559,774</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 150,141	\$ 208,409
Deferred contributions (note 8)	195,710	147,597
	<u>345,851</u>	<u>356,006</u>
Deferred revenue (note 9)	885,938	909,500
Deferred capital contributions (note 8)	84,900	99,050
	<u>1,316,689</u>	<u>1,364,556</u>
Net assets		
Unrestricted	1,290,057	1,324,244
Invested in capital assets (note 11)	219,133	106,288
Internally restricted funds (note 10)	2,861,828	2,764,686
	<u>4,371,018</u>	<u>4,195,218</u>
Contingencies (note 13)		
Commitments (note 14)		
Subsequent event (note 16)		
	<u>\$ 5,687,707</u>	<u>\$ 5,559,774</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, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Fundraising and donations	\$ 75,110	\$ 140,451
Restore	1,508,064	1,183,450
Grants	177,187	146,527
Amortization of deferred capital contributions (note 8)	14,150	50,736
Other income	86,786	5,244
	<u>1,861,297</u>	<u>1,526,408</u>
Expenses:		
Advertising and promotion	61,500	52,481
Amortization of capital assets	102,883	78,775
Interest and bank charges	15,704	11,815
Office	101,375	89,679
Professional services	19,842	37,736
Tithing	140,737	107,043
Facility	303,871	182,471
Special projects	57,392	56,975
Truck	117,583	75,618
Volunteer	9,075	2,975
Wages and benefits	985,490	719,031
Meetings and committee expenses	17,981	12,085
	<u>1,933,433</u>	<u>1,426,684</u>
Excess of revenue over expenses (expenses over revenue) before the undernoted	(72,136)	99,724
Net home builds income	247,936	136,214
Excess of revenue over expenses	<u>\$ 175,800</u>	<u>\$ 235,938</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

	Internally restricted funds (note 10)	Invested in capital assets (note 11)	Unrestricted	2019 Total	2018 Total
Balance, beginning of year	\$ 2,764,686	\$ 106,288	\$ 1,324,244	\$ 4,195,218	\$ 3,959,280
Excess (deficiency) of revenue over expenses	-	(88,733)	264,533	175,800	235,938
Interfund transfers	97,142	201,578	(298,720)	-	-
Balance, end of year	\$ 2,861,828	\$ 219,133	\$ 1,290,057	\$ 4,371,018	\$ 4,195,218

See accompanying notes to financial statements.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 175,800	\$ 235,938
Amortization of capital assets	102,883	78,775
Amortization of deferred capital contributions	(14,150)	(50,736)
Change in non-cash operating working capital:		
Increase in accounts receivable	(54,395)	(26,310)
Increase in prepaid expenses	(2,690)	(35,595)
Increase (decrease) in accounts payable and accrued liabilities	(58,268)	149,664
Increase in deferred contributions	48,113	122,543
Decrease in deferred revenue	(23,562)	(201,875)
	<u>173,731</u>	<u>272,404</u>
Investing activities:		
Increase in mortgages receivable	(416,498)	(397,189)
Repayment of mortgages receivable	317,673	566,041
Increase in property held for sale	(207,474)	(109,631)
Increase in deferred capital contributions	-	141,500
Increase in investments	(5,829)	(200,000)
Purchases of capital assets	(201,578)	(267,963)
	<u>(513,706)</u>	<u>(267,242)</u>
Increase (decrease) in cash	(339,975)	5,162
Cash, beginning of year	859,626	854,464
Cash, end of year	<u>\$ 519,651</u>	<u>\$ 859,626</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements

Year ended December 31, 2019

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.

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, 2019

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, 2019

1. Significant accounting policies (continued):

(e) Mortgages receivable:

Mortgages receivable are initially measured at the fair value of the consideration given when the Organization becomes party to the signed mortgage.

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.

(f) Deferred revenue:

Deferred revenue relates to the second mortgages. Any amounts subsequently received will be recorded as revenue in the period received.

(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, 2019

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 \$110,535 (2018 - \$333,778) designated for home builds.

3. Investments:

Investments consist of guaranteed investment certificates with redemption terms between November 2020 and November 2023.

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Mortgages receivable:

	2019	2018
Total mortgages receivable	\$ 3,622,231	\$ 3,523,406
Less current portion	144,753	165,513
	<u>\$ 3,477,478</u>	<u>\$ 3,357,893</u>

- (i) First mortgages bear no interest, are secured by a charge on the specific property, and are receivable in monthly instalments with a twenty, twenty-five or thirty year term.
- (ii) 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.
- (iii) 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, 2019

5. Property held for sale and development:

	2019	2018
Stoney Point land	\$ 92,199	\$ 90,549
Armanda Road	-	14,000
Birch Road	259,189	60,469
Askew Road	-	191,030
Janette Road	-	212,880
St. Luke Property	79,563	103,697
Maple – Kingsville	210,333	-
St. Luke St.	238,815	-
	<u>\$ 880,099</u>	<u>\$ 672,625</u>

6. Capital assets:

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 133,967	\$ 110,101	\$ 23,866	\$ 33,841
Vehicles	311,707	181,151	130,556	123,958
Furniture and Fixtures	99,748	23,587	76,161	34,063
Leasehold Improvements	84,990	11,540	73,450	13,476
	<u>\$ 630,412</u>	<u>\$ 326,379</u>	<u>\$ 304,033</u>	<u>\$ 205,338</u>

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$12,430 (2018 - \$3,960), 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, 2019

8. Deferred contributions:

Expenses of future periods:

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

	2019	2018
Balance, beginning of year	\$ 147,597	\$ 25,054
Less: amount recognized as revenue	145,687	25,054
Add: amount received related to future periods	193,800	147,597
	<u>\$ 195,710</u>	<u>\$ 147,597</u>

Capital assets:

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

	2019	2018
Balance, beginning of year	\$ 99,050	\$ 8,286
Add: Capital grants received	-	141,500
Less: amount amortized	14,150	50,736
	<u>\$ 84,900</u>	<u>\$ 99,050</u>

9. Deferred revenue:

Deferred revenue consists of the following:

	2019	2018
Second mortgages	\$ 885,938	\$ 909,500
	<u>\$ 885,938</u>	<u>\$ 909,500</u>

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Internally restricted funds:

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

	2019	2018
Reserved for property taxes	\$ 15,000	\$ 15,000
Reserved for future builds	110,535	333,882
Fund for Humanity	2,736,293	2,415,804
Balance, end of year	\$ 2,861,828	\$ 2,764,686

11. Invested in capital assets:

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

	2019	2018
Capital assets	\$ 304,033	\$ 205,338
Amounts financed by:		
Deferred capital contributions	84,900	99,050
	\$ 219,133	\$ 106,288

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

	2019	2018
Excess (deficiency) of revenue over expenses:		
Amortization of capital assets	\$ (102,883)	\$ (78,775)
Amortization of deferred capital contributions	14,150	50,736
	(88,733)	(28,039)
Purchase of capital assets	201,578	267,963
Capital grant received	-	(141,500)
	\$ 112,845	\$ 98,424

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

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 2018.

(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 2018.

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

2020	\$	378,937
2021		352,481
2022		352,481
2023		352,481
2024		352,481
Beyond		1,762,405
		<hr/>
	\$	3,551,266

HABITAT FOR HUMANITY WINDSOR-ESSEX INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

15. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial presentation adopted for the current year.

16. Subsequent event:

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on our business is not known at this time. These impacts could include impairment of investments, impairments in the value of our long-lived assets, or potential future decreases in revenue.