

**FINANCIAL STATEMENTS**  
Habitat For Humanity Nova Scotia  
December 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

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To the Directors of Habitat For Humanity Nova Scotia

### *Opinion*

We have audited the financial statements of Habitat For Humanity Nova Scotia (the Organization), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 ASNPO, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

*(continues)*

Independent Auditor's Report to the Directors of Habitat For Humanity Nova Scotia (*continued*)

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 Organization'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 Organization'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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Dartmouth, Nova Scotia  
June 16, 2022

CHARTERED PROFESSIONAL  
ACCOUNTANTS

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**HABITAT FOR HUMANITY NOVA SCOTIA**  
**STATEMENT OF FINANCIAL POSITION**

As at December 31

2021

2020

**Assets**

## Current

Cash	\$ 373,179	\$ 388,596
Temporary investments	3,255	2,911
Accounts receivable	53,409	39,123
Prepaid expenses	33,890	23,720
Current portion of mortgages receivable (Note 3)	<u>108,856</u>	<u>79,864</u>
	<u>572,589</u>	<u>534,214</u>
Cash surrender value of life insurance policy	112,692	92,855
Mortgages receivable (Note 3)	3,019,044	3,000,844
Properties held for sale	296,250	277,988
Work in progress	306,990	282,186
Land held for development	976,776	968,060
Property and equipment (Note 5)	<u>15,065</u>	<u>22,570</u>
	<u>\$ 5,299,406</u>	<u>\$ 5,178,717</u>

**Liabilities**

## Current

Bank indebtedness (Note 9)	\$ 1,708,131	\$ 1,695,781
Accounts payable and accrued liabilities	158,555	110,343
Amounts held on behalf of homeowners (Note 11)	97,805	65,762
Current portion of loan payable to Dexter Construction (Note 22)	<u>142,975</u>	<u>142,800</u>
	2,107,466	2,014,686
Loan payable to Dexter Construction (Note 22)	-	142,975
CEBA loan (Note 14)	40,000	-
CMHC forgivable loans (Note 16)	25,561	-
Deferred contributions	<u>300,586</u>	<u>293,025</u>
	<u>2,473,613</u>	<u>2,450,686</u>
Commitments (Note 7)		
Contingencies (Note 10)		
COVID-19 (Note 18)		
<b>Net assets</b>		
Unrestricted net assets	<u>2,825,793</u>	<u>2,728,031</u>
	<u>\$ 5,299,406</u>	<u>\$ 5,178,717</u>

Approved on behalf of the Board:

\_\_\_\_\_  
Director\_\_\_\_\_  
Director

(See accompanying notes to the financial statements)

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**HABITAT FOR HUMANITY NOVA SCOTIA**  
**STATEMENT OF OPERATIONS**  
For the year ended December 31

	2021	2020
<b>Revenues</b>		
Home sales	\$ 226,087	\$ 386,087
Fundraising and grants	389,924	394,758
Sponsorships	32,250	31,382
ReStore (Note 13)	<u>795,702</u>	<u>636,806</u>
	<u>1,443,963</u>	<u>1,449,033</u>
<b>Expenses</b>		
Fundraising	29,885	13,240
Building costs	193,176	203,725
ReStore (Note 13)	520,291	562,205
Administrative and build expenses (Note 15)	<u>571,620</u>	<u>539,789</u>
	<u>1,314,972</u>	<u>1,318,959</u>
<b>Excess of revenues over expenses before the undernoted</b>	<u>128,991</u>	<u>130,074</u>
<b>Other income (expense)</b>		
Change in cash surrender value of life insurance policy	19,836	30,597
Write up (down) of mortgages receivable to fair value (Note 3)	(54,565)	(19,608)
Sublet income	3,500	7,000
Mortgage relief funding	<u>-</u>	<u>58,233</u>
	<u>(31,229)</u>	<u>76,222</u>
<b>Excess of revenues over expenses (expenses over revenues)</b>	<u>\$ 97,762</u>	<u>\$ 206,296</u>

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(See accompanying notes to the financial statements)

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**HABITAT FOR HUMANITY NOVA SCOTIA**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**For the year ended December 31**

	<b>2021</b>	2020
<b>Unrestricted balance, beginning of year</b>	<b>\$ 2,728,031</b>	\$ 2,536,903
Corrections to prior periods (Note 19)	<u>-</u>	<u>(15,168)</u>
<b>Unrestricted balance, as restated</b>	<b>2,728,031</b>	2,521,735
Excess of revenue over expenses (expenses over revenue)	<u>97,762</u>	<u>206,296</u>
<b>Unrestricted balance, end of year</b>	<b><u>\$ 2,825,793</u></b>	<b><u>\$ 2,728,031</u></b>

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(See accompanying notes to the financial statements)

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**HABITAT FOR HUMANITY NOVA SCOTIA**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31

	2021	2020
<b>Operating activities</b>		
Working capital from operations		
Excess of revenues over expenses	\$ 97,762	\$ 206,296
Items not requiring an outlay of cash		
Gain on home sales	(238,749)	(190,548)
Amortization	8,782	10,221
Write down of mortgages receivable to amortized cost	54,565	19,608
Increase in cash surrender value of life insurance policy	(19,836)	(30,596)
Interest accrued (forgiven) on payable to Dexter Construction	<u>-</u>	<u>(50,606)</u>
	<b>(97,476)</b>	<b>(35,625)</b>
Changes in non-cash working capital (Note 4)	<u>23,756</u>	<u>(5,163)</u>
	<b><u>(73,720)</u></b>	<b><u>(40,788)</u></b>
<b>Financing activities</b>		
Line of credit advances (repayments)	12,350	(80,145)
CEBA loan advances	40,000	-
Dexter Construction loan repayments	<u>(142,975)</u>	<u>-</u>
	<b><u>(90,625)</u></b>	<b><u>(80,145)</u></b>
<b>Investing activities</b>		
Deferred contributions	178,211	46,560
CMHC forgivable loan advances	25,561	-
Expenditures on projects under development	(234,794)	(83,915)
Cash proceeds on home sales	-	386,087
Mortgage payments received	158,244	115,137
Increase in land held for development	(8,716)	(7,117)
Increase in temporary investments	(344)	(147)
Additions to property and equipment	(1,277)	(9,300)
Increase in amounts held on behalf of homeowners	<u>32,043</u>	<u>16,580</u>
	<b><u>148,928</u></b>	<b><u>463,885</u></b>
<b>Increase (decrease) in cash flow</b>	<b>(15,417)</b>	<b>342,952</b>
<b>Cash, beginning of year</b>	<b><u>388,596</u></b>	<b><u>45,644</u></b>
<b>Cash, end of year</b>	<b><u>\$ 373,179</u></b>	<b><u>\$ 388,596</u></b>

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(See accompanying notes to the financial statements)



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**HABITAT FOR HUMANITY NOVA SCOTIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

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**1. STATUS AND NATURE OF ACTIVITIES**

Habitat For Humanity Nova Scotia ("Habitat") is a not-for-profit organization whose purpose is to build stronger families by expanding opportunities for affordable homeownership. Habitat is registered under the Societies Act of the Province of Nova Scotia and is registered with the Canada Revenue Agency as a charitable organization.

Habitat is an affiliate of Habitat for Humanity Canada ("HFHC"). There is a covenant agreement between HFHC and all Canadian affiliates. This agreement sets the general operating principles for every autonomous affiliate. Currently, HFHC provides affiliates across the country with administrative and marketing support, training opportunities and gift in kind coordination.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and reflect the following policies:

**Properties held for resale**

Properties held for resale, which include land, buildings and building materials, both purchased and donated, are recorded at the lower of cost and net realizable value. Net realizable value is defined as the estimated costs to be recovered from partner families upon the sale of the property. Excess of carrying value of properties held for resale over proceeds received is expensed in the year in which title to the property is transferred to the partner families.

Gifts in kind which have been received for properties held for resale, but have not yet been allocated to a specific property, are recorded at the fair value of the goods donated.

**Land held for development**

Land held for development is recorded at cost when purchased and is evaluated for impairment at the end of each reporting period. If there is indication of impairment, the net realizable value of the asset is determined. Net realizable value is determined by estimated appraised value. If the net realizable value of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its net realizable value. An impairment loss is recognized immediately in the statement of operations.

**Income tax**

Habitat is a charitable organization from which no part of the income is payable or otherwise available for the personal benefit of any director. Therefore it is exempt from income tax pursuant to Section 149(1)(l) of the Income Tax Act.

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## HABITAT FOR HUMANITY NOVA SCOTIA NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, bank overdrafts, and highly liquid temporary money instruments with original maturities of three months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

#### Donated goods and services

Donated goods and services are recorded when a fair value can be reasonably estimated and they would otherwise be purchased if not donated. Donated goods that are received by Habitat from the HFHC gift in kind program are recorded at the fair value estimated by Habitat.

A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in these financial statements.

#### Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Amortization is calculated using the straight-line method, at rates based on the estimated useful life of the assets as follows:

Equipment	3 years
Computer	4 years
Vehicle	3 years
Leasehold improvements	6 years

Habitat regularly reviews its property and equipment to eliminate obsolete items. Habitat tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows that the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Government grants are treated as a reduction of property and equipment cost.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

#### Allocation of expenses

Administration expenses are allocated to ReStore operations based on the proportionate floor space occupied for occupancy costs. Wages and benefits, professional fees and subcontractor costs are allocated based on the time and effort dedicated to supporting Restore operations.

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## HABITAT FOR HUMANITY NOVA SCOTIA NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, and the differences could be material, as additional information becomes available in the future.

#### Revenue recognition

Revenue from sales of homes is recognized and measured in the financial statements based on the appraised value of the property when title is transferred to the selected partner family.

Habitat follows the deferral method of accounting for grants and donations. Unrestricted donations and grants are recognized as revenue when received. Restricted grants and donations are recognized as revenue in the year in which the related expenditures are incurred. The amount of any donations pledged to Habitat are not included in revenue until collection is assured.

Habitat operates a retail store known as the "ReStore". This store sells donated new and used building materials to the general public. Revenue for Restore is recognized upon sale of goods to customers.

#### Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses recorded in income. Other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

When financial instruments that include both a debt and an equity component are issued, the proceeds are allocated firstly to the component for which the fair value is more readily determinable, and the residual is allocated to the other component.

#### Work in progress

Work in progress, which includes land, buildings and building materials, both purchased and donated, are recorded at the lower of cost and net realizable value. Net realizable value is defined as the lower of market value less costs of disposition and the amount of non-forgivable mortgages to be assumed by partner families. Any excess of carrying value over net realizable value is expensed in the year in which the impairment is determined.

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HABITAT FOR HUMANITY NOVA SCOTIA  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

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### 3. MORTGAGES RECEIVABLE

	2021		2020	
	Mortgages At Face Value	Mortgages At Fair Value	Mortgages At Face Value	Mortgages At Fair Value
First mortgages receivable	\$ 4,107,569	\$ 3,127,900	\$ 4,058,546	\$ 3,080,708
Forgivable second mortgages	773,656	-	673,656	-
Allowance for forgiveness	<u>(773,656)</u>	<u>-</u>	<u>(673,656)</u>	<u>-</u>
	<b>4,107,569</b>	<b>3,127,900</b>	4,058,546	3,080,708
Less: current portion	<u>168,115</u>	<u>108,856</u>	<u>120,461</u>	<u>79,864</u>
	<b><u>\$ 3,939,454</u></b>	<b><u>\$ 3,019,044</u></b>	<b><u>\$ 3,938,085</u></b>	<b><u>\$ 3,000,844</u></b>

Upon completion of construction, homes are sold to selected applicants who are provided an interest-free mortgage, which is amortized on the basis of both the appraised value of the home, and the family's financial capacity. The mortgages have a fixed term of between 25 and 30 years, with principal repayments calculated and adjusted annually based on the homeowner's previous net income as reported to the Canada Revenue Agency.

Mortgages receivable are financial assets measured at fair value. Fair value is calculated as the net present value of expected cash flows, discounted using the five-year average inflation rate in Nova Scotia. Fair value is revalued at each balance sheet date based on the amount and frequency of the homeowner's calculated principal repayments, with any adjustments recognized as a gain or loss on the statement of operations.

Second mortgages bear no interest, are secured by a charge on the specific property, and require no monthly payments with a term up to 30 years. Certain second mortgages include terms for forgiveness. Forgiveness is contingent upon the occurrence of certain events including the length of the occupancy of the homeowner. As of December 31, 2021, Habitat believes the terms and conditions of forgiveness will be met, and therefore the forgivable second mortgages are valued at \$nil on the statement of financial position. There is no impact to Habitat's financial position or operating results.

The face value of first mortgages receivable in the comparative period, as well as the face value of the current portion in the comparative period, have been restated to the correct amounts. The face value restatements do not impact on Habitat's financial position at December 31, 2020, or its operating results for the year then ended.

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**HABITAT FOR HUMANITY NOVA SCOTIA**  
**NOTES TO THE FINANCIAL STATEMENTS**
December 31, 2021

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**4. CHANGES IN NON-CASH WORKING CAPITAL**

	2021	2020
Accounts receivable	\$ (14,286)	\$ 57,003
Prepaid expenses	(10,170)	(11,073)
Payables and accruals	<u>48,212</u>	<u>(51,093)</u>
	<u>\$ 23,756</u>	<u>\$ (5,163)</u>

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**5. PROPERTY AND EQUIPMENT**

	<u>Cost</u>	<u>Accumulated Amortization</u>	2021 <u>Net Book Value</u>	2020 <u>Net Book Value Rates</u>
Computer	\$ 70,854	\$ 65,381	\$ 5,473	\$ 7,834
Equipment and furniture	15,072	14,705	367	994
Leasehold improvements	48,062	43,540	4,522	6,531
Vehicles	<u>7,525</u>	<u>2,822</u>	<u>4,703</u>	<u>7,211</u>
	<u>\$ 141,513</u>	<u>\$ 126,448</u>	<u>\$ 15,065</u>	<u>\$ 22,570</u>

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**6. CAPITAL MANAGEMENT**

Habitat considers its capital to be the balance maintained in its Unrestricted Net Assets. The primary objective of Habitat is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital is invested under the direction of the Board of Directors of Habitat with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. Habitat is not subject to any externally imposed capital requirements.

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**7. COMMITMENTS**

Habitat has entered into lease agreements for its Restore premise at 81 Wright Avenue, Dartmouth, N.S. Minimum payments required until expiry are as follows:

2022	\$ 128,636
2023	\$ 128,636
2024	\$ 128,636
2025	\$ 128,636
2026	<u>\$ 117,916</u>
	<u>\$ 632,460</u>

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**HABITAT FOR HUMANITY NOVA SCOTIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

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**7. COMMITMENTS (continued)**

**Habitat for Humanity Canada**

Pursuant to its affiliate covenant with Habitat for Humanity Canada, Habitat pays an affiliation fee consisting of \$12,500 per vote for the affiliate, 15% on all nationally-procured gifts in kind for the ReStore, 20% on all nationally-procured gifts for the builds, 23% on all nationally-procured cash gifts and 4% of gross ReStore sales. In addition, Habitat contributes a tithe for international work.

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**8. DONATED GOODS AND SERVICES**

In accordance with the accounting policy whereby Habitat records only donated goods and services when a fair value can be reasonably estimated and they would otherwise be purchased, Habitat recognizes the value of these goods when sold or used in the construction of a property held for resale. During the current year, Habitat recorded \$nil (2020 - \$nil) as gifts in kind.

Habitat's practice is to recover the costs of construction plus the value of the land from partner families. As such, any donated goods and services relating to the construction of the homes are not included in the final selling price of the home. Donated goods and services not recovered from partner families are recorded in costs of construction not to be recovered from partner families in the statement of operations.

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**9. CREDIT FACILITIES**

Habitat has an authorized line of credit of \$125,000 with RBC, to be reviewed annually. The line of credit bears interest at Royal Bank Prime plus 3.00% and is secured by a general security agreement. At December 31, 2021, the line of credit had a balance of \$nil (2020 - \$nil).

Habitat has an authorized line of credit of \$5,000,000 with CUA, to be reviewed annually. The line of credit bears interest at 4.6%. It is secured by a collateral first mortgage against the forty-five properties included in the Habitat Way affordable housing development project and an assignment of the mortgage receivable portfolio including existing and new mortgages. The line of credit is available in four phases, as mutually agreed by both parties. Habitat is currently in phase one which has a limit of \$1,900,000. At the end of phase four the existing line of credit will be converted to a term loan with a maximum amortization period of twenty years. At December 31, 2021, the line of credit had a balance of \$1,708,131 (2020 - \$1,695,781).

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**HABITAT FOR HUMANITY NOVA SCOTIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

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## **10. CONTINGENCIES**

### **Warranty**

Habitat extends a warranty to homeowners for deficiencies resulting from poor workmanship, poor quality materials, and/or improper installation. The warranty is extended for a period of twelve months from the date of occupancy or the date of the deficiency report, whichever is earliest. No liability has been recorded in these financial statements for future claims or expenditures which may be incurred as a result of the warranty.

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## **11. AMOUNTS HELD ON BEHALF OF HOMEOWNERS**

Mortgage prepayments represent payments from families that occupy their homes prior to title transfer. Upon title transfer, these amounts will be credited to the family's first mortgage.

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## **12. FINANCIAL INSTRUMENTS**

Habitat is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about Habitat's risk exposure and concentrations at the balance sheet date.

### *Credit risk*

Credit risk arises from the potential that a counterparty will fail to perform its obligations. Habitat is exposed to credit risk on the mortgages receivable from its partner families. Habitat believes that this credit risk is minimized due to a first charge held on the related properties. Habitat is also exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable.

Habitat does not obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

### *Liquidity risk*

Liquidity risk is the risk that Habitat will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of Habitat's cash requirements. Additional cash requirements are met with the use of the available operating line of credit. Available operating line of credit provides flexibility in the short term to meet operational needs and bridge long term financing.

### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. Habitat is mainly exposed to interest rate risk.

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**HABITAT FOR HUMANITY NOVA SCOTIA**  
**NOTES TO THE FINANCIAL STATEMENTS**
December 31, 2021

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**12. FINANCIAL INSTRUMENTS (continued)***Interest rate risk*

Interest rate risk is the risk that the fair value of a financial instrument will be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, Habitat manages exposure through its normal operating and financing activities. Habitat is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Unless otherwise noted, it is management's opinion that Habitat is not exposed to significant other price risks arising from these financial instruments.

**13. NET EXCESS OF REVENUES OVER EXPENSES FROM RESTORE OPERATIONS**

	2021	2020
<b>Revenue</b>		
Sales	795,702	636,806
Gifts in kind	<u>-</u>	<u>-</u>
	<b><u>\$ 795,702</u></b>	<b><u>\$ 636,806</u></b>
<b>Expenses</b>		
Advertising	-	481
Amortization	8,543	10,221
Fees and goods for resale	103,087	80,454
Insurance	31,601	31,515
Interest and bank charges	2,358	6,935
Office supplies and miscellaneous	6,510	9,572
Professional fees	68,442	45,738
Rent and utilities (Note 17)	144,030	214,161
Repairs and maintenance	1,094	2,477
Vehicle	20,276	21,335
Subcontractor costs	-	7,917
Wages and benefits (Note 17)	<u>134,350</u>	<u>131,399</u>
	<b><u>520,291</u></b>	<b><u>562,205</u></b>
<b>Net excess of revenue over expenses from ReStore operations</b>	<b><u>\$ 275,411</u></b>	<b><u>\$ 74,601</u></b>

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**HABITAT FOR HUMANITY NOVA SCOTIA**  
**NOTES TO THE FINANCIAL STATEMENTS**
December 31, 2021

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**14. CANADIAN EMERGENCY BUSINESS ACCOUNT LOAN (CEBA)**

During the current year, Habitat applied for and received a \$40,000 CEBA loan. The loan was provided by the Government of Canada to provide capital to organizations to see them through the current challenges and better position them to return to providing services and creating employment. The loan is unsecured.

The loan is interest free to December 31, 2023. If the loan is repaid by December 31, 2023, \$10,000 of the loan will be forgiven. If the loan is not repaid by December 31, 2023, the principal balance will be converted to a loan repayable over two years with a 5% interest rate.

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**15. ADMINISTRATIVE AND BUILD EXPENSES**

	2021	2020
Amortization	\$ 239	\$ -
Advertising and promotion	13,942	4,299
CEO and Board expenses	-	18,421
Dues and fees	23,051	49,281
Insurance	10,534	10,505
Interest and bank charges (Note 22)	95,972	39,049
Miscellaneous expenses	1,867	9,558
Office supplies	16,814	11,096
Professional fees	168,685	182,952
Rent and utilities	48,009	71,387
Subcontractor costs	54,896	69,914
Telephone	12,020	10,795
Travel and training	4,626	262
Volunteer expenses	2,636	30
Wages and benefits	<u>118,329</u>	<u>62,240</u>
	<u>\$ 571,620</u>	<u>\$ 539,789</u>

For the year ended December 31, 2021, \$133,950 (2020 - \$90,950) of total administration and build expenses are related to the build division.

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## HABITAT FOR HUMANITY NOVA SCOTIA NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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### 16. CMHC FORGIVABLE LOANS

Canada Mortgage and Housing Corporation (CMHC) has entered into a 3-year (2019-2021) agreement with Habitat for Humanity Canada (HFHC) to provide forgivable interest-free loans to support the development of affordable housing in Canada. Habitat for Humanity Canada has entered into an agreement with Habitat for Humanity Nova Scotia to provide forgivable interest-free loans of up to \$123,903 to finance the construction of two CMHC approved projects. The loans are interest-free as long as the conditions specified in the agreement are met and the loans are not in default. If the loans are in default, HFHC may declare that the loans shall bear interest at five percent per annum. The loans will be forgiven in equal annual tranches over a 20-year period as long as the projects remain affordable.

During the current year, Habitat received \$25,561 in forgivable loans from HFHC. At December 31, 2021, Habitat was in compliance with the conditions specified in the forgivable loan agreement.

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### 17. GOVERNMENT ASSISTANCE

#### Canada Emergency Rent Subsidy

During the year, Habitat received \$89,850 (2020 - \$1,878) from the federal Canada Emergency Rent Subsidy (CERS) due to the impact of COVID-19, which is netted against the Restore rent and utility expense presented in Note 13 (2021 - \$67,387; 2020 - \$1,408) and the Administrative and Build rent and utilities expense presented in Note 15 (2021 - \$22,463; 2020 - \$470).

#### Canada Emergency Wage Subsidy

During the year, Habitat received \$124,665 (2020 - \$54,582) from the federal Canada Emergency Wage Subsidy (CEWS) due to the impact of COVID-19, which is netted against the Restore wages and benefits expense presented in Note 13 (2021 - \$65,827; 2020 - \$37,165) and the Administrative and Build wages and benefits expense presented in Note 15 (2021 - \$58,838; 2020 - \$17,417).

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### 18. COVID-19

Beginning in March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

During the current year, Restore closures and restrictions put pressure on operations and performance. The financial impact of the closures and restrictions was mitigated by the rent and wage subsidies received from federal government (Note 17).

Going forward, Habitat believes the risks and uncertainties related to COVID-19 will be challenges in hiring the right people, wage pressures, less volunteers and rising costs and complexity with transportation and logistics for Restore products.

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**HABITAT FOR HUMANITY NOVA SCOTIA**  
**NOTES TO THE FINANCIAL STATEMENTS**
December 31, 2021

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**19. CORRECTION OF PRIOR PERIOD ERRORS**

Prior to 2018, Habitat recognized restricted grants and donations totalling \$26,615 as revenue in the year received. These restricted grants and donations should have been deferred until the year in which the related expenditures were incurred.

During the current year, Habitat also identified that a \$11,447 security deposit is held by the landlord in connection with the lease of 81 Wright Avenue. The security deposit was recorded as an expense when it was originally paid in 2013, instead of being recorded as a prepaid expense.

The two errors have been retrospectively corrected and the following adjustments have been made in the financial statements:

	2021	2020
<b>Assets:</b>		
Prepaid expenses	\$ -	\$ 11,447
<b>Liabilities and net assets:</b>		
Deferred contributions	-	26,615
Opening unrestricted net assets	<u>-</u>	<u>(15,168)</u>
	<u>\$ -</u>	<u>\$ -</u>

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**20. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified from those previously presented to conform with the current year's presentation.

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**21. RELATED PARTY TRANSACTIONS**

During the current year, Habitat engaged Creative Curve Media Group Inc. to provide marketing services. Fees paid to Creative Curve Media Group Inc. totalled \$8,135 (2020 - \$nil). Creative Curve Media Group Inc. is a related party by virtue of a relationship between the owner and a member of Habitat's management team. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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HABITAT FOR HUMANITY NOVA SCOTIA  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

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**22. LOAN PAYABLE TO DEXTER CONSTRUCTION COMPANY LIMITED**

Non-interest bearing loan, repayable in equal monthly installments of \$11,900 from January 1, 2022 to December 31, 2022.

During the prior year, the interest payable was forgiven. As a result, Habitat recognized an interest expense recovery of \$50,606. This recovery is included in the prior year interest and bank charges on the schedule of administrative and build expenses (Note 15).

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