WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of
Winnipeg Habitat for Humanity Inc.:

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

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at December 31, 2021, and its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Non-Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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 Non-Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 Company'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 Company'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 non-consolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

Scarrow & Donald LLP

Chartered Professional Accountants
March 24, 2022
Winnipeg, Canada

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	2021	2020
ASSETS		
Current assets:		
Cash and deposits	$ 3,607,568	$ 2,168,387
Accounts receivable	135,994	256,748
Inventory	56,380	3,297
Refundable deposits and prepaid expenses	251,785	280,928
Construction in progress - occupied condominiums	2,807,869	-
Construction in progress	2,728,962	2,304,585
Scheduled repayments of mortgages receivable (Note 3)	2,145,408	2,090,428
Current assets before mortgages receivable	11,733,966	7,104,373
Mortgages receivable (Note 3)	41,883,059	43,471,848
Total current assets	53,617,025	50,576,221
Residential property	3,942,998	4,519,884
Property and equipment (Note 4)	604,442	695,659
Investment in subsidiaries (Note 5)	53,030	39,844
	$ 58,217,495	$ 55,831,608
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 754,212	$ 773,921
Government remittances payable	33,769	34,113
Deposits	41,201	-
Escrow accounts	340,300	320,000
Deferred contributions (Note 6)	126,334	87,933
Scheduled repayments of long-term debt (Note 7)	703,126	575,393
Current liabilities before long-term debt	1,998,942	1,791,360
Long-term debt (Note 7)	12,830,416	13,014,594
Total liabilities	14,829,358	14,805,954
Net assets:		
Invested in property and equipment	316,635	372,800
Internally restricted chapter funds	878,825	386,849
Unrestricted	42,192,677	40,266,005
	43,388,137	41,025,654
	$ 58,217,495	$ 55,831,608

APPROVED BY THE BOARD:

_____________________ **Director** _____________________ **Director**

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended December 31 2021	2020
Revenue:		
Donations-		
Cash contributions and grants	$ 2,965,919	$ 1,603,232
Construction materials	175,158	278,597
Habitat ReStore	2,286,598	1,972,782
Interest income	20,177	12,503
Special events (Note 9)	594,899	481,827
Government support (Note 15)	907,499	974,376
Miscellaneous	98,068	73,934
Sale of residential properties to Habitat families	1,463,674	4,624,980
	8,511,992	10,022,231
Expenses:		
Administrative expenses (Schedule A)	1,987,376	1,897,524
Habitat ReStore expenses (Schedule B)	1,676,089	1,754,963
Cost of residential properties sold to Habitat families (Note 10)	1,680,135	4,936,669
Habitat for Humanity Canada affiliation fees	218,959	260,315
Repairs and maintenance and home warranty	14,746	9,525
Special events (Note 9)	143,128	45,305
Interest on long-term debt	473,990	443,950
	6,194,423	9,348,251
Excess of revenue over expenses before the following:	2,317,569	673,980
Equity gain from subsidiaries (Note 5)	12,628	6,085
Gain on sale of property and equipment	26,500	-
Loss on sale of residential properties	-	(380)
Amortization of discount on interest-free long-term debt	188,737	753,760
Net change in fair value discount on mortgages receivable (Note 3)	(182,951)	529,718
	44,914	1,289,183
Excess of revenue over expenses	$ 2,362,483	$ 1,963,163

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Net assets invested in property and equipment	Internally restricted chapter funds	Unrestricted	Year ended December 31 2021	2020
Net assets, beginning of year	$ 372,800	$ 386,849	$ 40,266,005	$ 41,025,654	$ 39,062,491
Excess (deficiency) of revenue over expenses	(173,684)	-	2,536,167	2,362,483	1,963,163
Internal transfer of chapter funds	-	491,976	(491,976)	-	-
Net additions to property and equipment, net of change in related debt	117,519	-	(117,519)	-	-
Net assets, end of year	$ 316,635	$ 878,825	$ 42,192,677	$ 43,388,137	$ 41,025,654

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended December 31		
		2021		2020
Cash flow from operating activities:				
Excess of revenue over expenses	$	2,362,483	$	1,963,163
Adjustments for:				
Amortization		173,684		180,671
Net change in fair value discount on mortgages receivable		182,951		(529,718)
Amortization of discount on interest-free debt		76,529		33,716
Deferred long-term debt interest		-		202,466
Fair value adjustment of Habitat for Humanity Canada interest-free debt		(265,266)		(787,475)
Loss on sale of residential properties to Habitat families		216,461		311,689
Equity gain from subsidiaries		(12,628)		(6,085)
		2,734,214		1,368,427
Changes in the following:				
Accounts receivable		120,754		150,704
Government remittances payable		(344)		(5,610)
Inventory		(53,083)		479
Refundable deposits and prepaid expenses		29,143		50,623
Accounts payable and accrued liabilities		(19,709)		(155,306)
Escrow accounts		20,300		(900)
Deferred contributions		38,401		(20,197)
		2,869,676		1,388,220
Cash flow from financing activities:				
Proceeds on long-term debt		1,455,875		4,339,331
Repayment of long-term debt		(1,323,583)		(536,177)
		132,292		3,803,154
Cash flow from investing activities:				
Mortgage receivable payments received		2,814,532		2,961,466
Deposits received		41,201		-
Acquisition and construction of residential property		(4,335,495)		(6,677,183)
Purchase of property and equipment		(82,467)		(29,990)
Change in advances		(558)		(395)
		(1,562,787)		(3,746,102)
Change in cash		1,439,181		1,445,272
Cash, beginning of year		2,168,387		723,115
Cash, end of year	$	3,607,568	$	2,168,387

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. Nature of operations:

Winnipeg Habitat for Humanity Inc. (the “Organization”), incorporated June 22, 1987 in the Province of Manitoba, is a not-for-profit organization that provides housing to economically disadvantaged persons in Manitoba and Northwest Ontario. The prospective homeowner makes a commitment by contributing “sweat equity” hours. Mortgages on the homes are non-interest bearing.

During the year, the Organization started 14 (2020 – 16) homes and finished 1 (2020 – 4) of these. In addition, the Organization finished 14 (2020 – 10) homes started in the prior years. Of the 14 started in prior years, title has not transferred for 10 homes.

Habitat ReStore commenced operation in April 1991. Its principal activity is selling materials and supplies which are donated by companies or individuals.

The Organization is a registered charity and is exempt from income taxes under the provisions of the Income Tax Act.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the Organization will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

a) Critical accounting estimates and judgments-

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Cash and deposits

Cash and deposits consist of balances held at financial institutions.

2. Significant accounting policies (continued)**:**

c) Inventory-

Inventory consists of home construction inventory, Habitat ReStore inventory and supplies. Home construction inventory and supplies are recorded at the lower of cost and net replacement cost, with cost being determined using the first-in, first-out method. Cost includes the purchase price including applicable taxes and delivery charges.

Habitat ReStore inventory, which primarily consists of donated re-cycled materials and obsolete, damaged or surplus materials from suppliers and manufacturers, is recorded at a nominal amount.

d) Construction in progress-

Construction in progress represents direct costs incurred by the Organization and contributed materials and residential property that have been recognized in accordance with the accounting policy described in Note 2(g) relating to homes that are not yet complete. Construction in progress is recorded at the lower of cost and net realizable value.

e) Property and equipment-

Property and equipment are recorded at cost and amortized over their estimated useful lives, except for contributed assets which are recorded at fair market value at the time of the contribution plus all costs directly attributable to the acquisition. This requires estimation of the useful life of the asset and its salvage and residual value. When a capital asset is impaired, the excess of its net carrying amount over the asset's fair value or replacement cost is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

Property and equipment are amortized over the estimated useful life of the asset as follows:

	Rate	Method
Buildings	5%	Straight-line
Furniture, fixtures and computer equipment, equipment and automotive	33-1/3% - 50%	Straight-line
Telephone equipment	20%	Straight-line
Leasehold improvements	10%	Straight-line

f) Revenue recognition-

The Organization follows the deferral method of accounting for contributions. Restricted contributions, which include those related to special events, are deferred and recognized as revenue in the year in which the related expenses are incurred.

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.

ReStore sales, commissions and sale of merchandise and miscellaneous are recognized upon receipt of payment for products purchased or services provided.

Homes are sold to Habitat partner families subject to specific conditions in the mortgage. The Organization provides the new homeowner with a first mortgage, and a non-forgivable second mortgage if applicable, which is determined based on a formula using the estimated appraised value of the home.

2. Significant accounting policies (continued)**:**

f) Revenue recognition (continued)-

Interest income is recognized on a time proportion basis.

g) Contributions-

Contributed materials which are used in home construction projects are recognized as revenue when the fair value of such materials can be determined.

Contributed materials which are sold through the Habitat ReStore are recorded in inventory at a nominal amount due to the difficulty in determining the fair value of the contributed materials.

Contributed residential property is recorded at fair market value at the time of donation when information concerning fair values is available. If the fair value is not determinable, the contribution is recorded at a nominal amount.

Volunteers contribute significant services to assist the Organization in its construction projects. Because of the difficulty in determining fair value, contributed services are not recorded in the financial statements.

h) Residential property-

Residential property is recorded at the lesser of cost and the estimated sale price to the prospective homeowner. Cost is comprised of land, land development, material and subcontract costs, with cost being determined using specified unit cost. Residential property is not amortized as the properties are expected to be sold to partner families.

i) Investments – subsidiaries-

The Organization owns 100% of the common shares of 4875185 Manitoba Ltd. and 100% of the common shares of HFHW Land Development Inc. The Organization issues only non-consolidated financial statements and accounts for these investments in subsidiaries using the equity method.

j) Internally restricted Chapter funds -

Contributions are received through Chapters of the Organization for home builds in certain geographic regions of the Province of Manitoba and the City of Kenora, Ontario. Because the Chapters do not undertake a build project in their geographic region every year, the Organization has internally restricted these funds as being designated for building homes in the Organization's Chapters. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

k) Tithe -

Habitat for Humanity Canada requires the Organization to contribute a tithe of a minimum of 10% of its undesignated funds, which is used for international housing development. Undesignated funds is the money the organization receives from the distribution of undesignated funds from Habitat for Humanity Canada.

2. Significant accounting policies (continued)**:**

l) Financial instruments-

Except for certain related party transactions, financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in the difference between revenues and expenses for the period incurred.

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may occur on sale or other disposal. The Organization may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Organization measures cash and deposits, accounts receivable, refundable deposits, mortgages receivable, advances to subsidiaries, accounts payable and accrued liabilities, deposits, escrow accounts and long-term debt at amortized cost.

3. Mortgages receivable:

The Organization holds first mortgages on 241 (2020 – 246) residential properties. The mortgages are for one year and renewable at the Organization's discretion. The Organization has the right to extend the term of the mortgage with the homeowner at the same terms, different terms or demand repayment on renewal. These mortgages are non-interest bearing and are repayable in variable monthly installments based on the mortgagees' income which is reviewed on an annual basis.

			Amortized cost	
	Face value	**Discount**	**2021**	**2020**
Mortgages receivable	$ 45,473,263	$ 1,444,796	$ 44,028,467	$ 45,562,276
Less: scheduled repayments of mortgages receivable			2,145,408	2,090,428
			$ 41,883,059	$ 43,471,848

The fair value of these mortgages receivable is based on discounting the mortgages with an effective rate of 3.39% (2020 – 2.85%) and a term of one year (2020 – one year).

	2021	**2020**
Fair value discount on new and renewed mortgages in the year	$ (1,691,161)	$ (729,426)
Amortization of fair value discount in the year	1,508,210	1,259,144
Net change in fair value discount on mortgages receivable	$ (182,951)	$ 529,718

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

4. Property and equipment:

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 247,351	$ -	$ 247,351	$ -
Buildings	1,971,666	1,871,065	1,953,407	1,767,839
Furniture, fixtures and computer equipment	863,168	694,123	852,236	646,066
Equipment	106,617	104,959	106,617	102,619
Automotive	328,266	289,544	337,371	331,763
Telephone equipment	53,006	46,342	53,006	42,441
Leasehold improvements	49,714	9,313	41,333	4,934
	$ 3,619,788	$ 3,015,346	$ 3,591,321	$ 2,895,662
Net book value	$ 604,442		$ 695,659	

Amortization expense for the year ended December 31, 2021 is $173,684 (2020 - $180,671). Of this amount $10,768 (2020 - $13,470) is included in cost of transferred residential properties.

5. Investment in subsidiaries:

(i) The Organization owns 100% of 4875185 Manitoba Ltd. The subsidiary purchases products and sells them through the Habitat ReStore on a consigned basis. The Habitat ReStore receives a commission for selling the subsidiary's inventory.

The Organization's investment in the subsidiary, accounted for using the equity method, is as follows:

	2021	2020
Advances to subsidiary, non-interest bearing, no set terms of repayment	$ 50	$ 50
Balance, beginning of year	36,584	29,805
Net income	13,485	6,779
Balance, end of year	50,069	36,584
	$ 50,119	$ 36,634

5. Investment in subsidiaries (continued)**:**

(i) Summary financial information of the subsidiary is as follows:

	2021	2020
Financial position		
Total assets	$ 66,371	$ 84,031
Total liabilities	$ 16,302	$ 47,447
Total shareholder's equity	50,069	36,584
	$ 66,371	$ 84,031
Results of operations		
Total revenues	$ 65,386	$ 81,512
Total expenses	51,901	74,733
Net income	$ 13,485	$ 6,779
Cash flow from (used in)		
Operating activities	$ 31,439	$ (526)
Change in cash	$ 31,439	$ (526)

During the year, the Organization earned commissions from the subsidiary in the amount of $26,140 (2020 - $32,479). In addition, included in accounts payable of the Organization is an amount of $50,717 (2020 - $69,622) owing to the subsidiary. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(ii) The Organization owns 100% of HFHW Land Development Inc. The subsidiary was incorporated on February 26, 2008 under The Corporations Act in Manitoba. This subsidiary was established to facilitate the occasional acquisition of land for the purpose of resale into the general market.

The Organization's investment in the subsidiary, accounted for using the equity method, is as follows:

	2021	2020
Advances to subsidiary, non-interest bearing, no set terms of repayment	$ 22,125	$ 21,567
Investment in subsidiary		
Balance, beginning of year	(18,357)	(17,663)
Net loss	(857)	(694)
Balance, end of year	(19,214)	(18,357)
	$ 2,911	$ 3,210

5. Investment in subsidiaries (continued)**:**

(ii) Summary financial information of the subsidiary are as follows:

	2021	2020
Financial position		
Total assets	$ 2,911	$ 3,210
Total liabilities	$ 22,125	$ 21,567
Total shareholder's equity	(19,214)	(18,357)
	$ 2,911	$ 3,210
Results of operations		
Total expenses	$ (857)	$ (694)
Net loss	$ (857)	$ (694)
Cash flow (used in) from		
Operating activities	$ (299)	$ (299)
Investing activities	(558)	(395)
Change in cash	$ (857)	$ (694)

Advances from subsidiary are unsecured, non-interest bearing with no set terms of repayment.

6. Deferred contributions:

Contributions received are for activities in the following year.

	2021	2020
Beginning balance	$ 87,933	$ 108,130
Add: Contributions received during the year	117,209	87,933
	205,142	196,063
Less: Amounts amortized to revenue	78,808	108,130
Ending balance	$ 126,334	$ 87,933

7. Long-term debt:

	2021	2020
Demand mortgage payable - interest at a fixed rate of 4.49% (2020 - 4.49%), monthly principal and interest payments of $11,776 (2020 - $11,776)	$ 846,608	$ 947,816
Demand mortgage payable - interest at the financial institution's standard rate plus 1% (2020 - 1%), monthly principal and interest payments of $365 (2020 - $365), secured by a registered multi-purpose mortgage creating a first charge on specified residential properties	39,505	42,467
Demand mortgage payable - face value of $81,007 (2020 - $96,006) non-interest bearing, monthly principal payments of $250 (2020 - $250), recorded at amortized cost using discount rates ranging from 5.4% to 6.5% (2020 - 5.4% to 6.5%)	69,081	79,281
Demand mortgage payable - interest at a fixed rate of 3.47% (2020 - 3.65%), monthly principal and interest payments of $18,841 (2020 - $18,841)	1,508,451	1,679,060
Term loan payable - interest at the financial institution's standard rate plus 2% (2020 - standard rate plus 2 %), monthly principal and interest payment of $600 (2020 - $600), secured by first charge on 2014 GMC Savanna Cube Van	4,124	10,975
Demand mortgage payable - interest at the financial institution's standard rate plus 1% (2020 - 1%), monthly principal and interest payments of $366 (2020 - $366)	61,126	63,368
Demand mortgage payable - interest at the financial institution's standard rate plus 1% (2020 - 1%), monthly principal and interest payments of $710 - $1,750 (2020 - $705 - $1,750)	414,821	488,914
Demand mortgage payable - interest at a fixed rate of 3.96% (2020 - standard rate plus 1%), monthly principal and interest payments of $9,190 (2020 - $9,190)	1,727,087	1,768,140
Demand mortgage payable - interest at a fixed rate of 4.25% (2020 - 4.25%), monthly principal and interest payments of $583 (2020 - $593)	5,489	12,103
Demand mortgage payable - interest at a fixed rate of 4.36% (2020 - 4.40%), monthly principal and interest payments of $10,414 (2020 - $10,414)	1,119,598	1,193,979
Demand mortgage payable - interest at a fixed rate of 4.40% (2020 - 4.40%), principal and interest payments ranging from $198 - $4,046 (2020 - $198 - $4,046)	981,341	1,065,198
Demand mortgage payable - interest at a fixed rate of 2.73% (2020 - standard rate plus 1%), monthly principal and interest payments of $382 (2020 - $445)	51,946	55,203
Sub total	6,829,177	7,406,504

7. Long-term debt (continued)**:**

	2021	2020
Sub total from previous page:	$ 6,829,177	$ 7,406,504
Demand mortgage payable - interest at the financial institution's standard rate plus 1%, interest payments only, monthly principal and interest payments commencing May 1, 2023, secured by registered multi-purpose mortgages creating a first charge on specified residential properties	677,117	1,354,268
Demand mortgage payable - interest at a fixed rate of 2.73% (2020 - standard rate plus 1%), monthly principal and interest payments of $7,7176 (2020 - interest only payments)	1,540,244	1,581,402
Demand mortgage payable - interest at a fixed rate of 2.73% (2020 - standard rate plus 1%), monthly principal and interest payments of $231 - $1,210 (2020 - $260 - $1,210)	351,212	367,553
Demand mortgage payable - interest at a fixed rate of 3.33% (2020 - standard rate plus 1%), monthly principal and interest payments of $595 (2020 - $595)	116,776	120,000
Demand mortgage payable - interest at the financial institution's standard rate plus 1%, interest payments only, monthly principal and interest payments commencing February 1, 2022, secured by registered multi-purpose mortgages creating a first charge on specified residential properties	1,900,000	1,900,000
Demand mortgage payable - interest at the financial institution's standard rate plus 1%, interest payments only, monthly principal and interest payments commencing June 1, 2022	112,159	112,900
Demand mortgage payable - interest at a fixed rate of 3.33% (2020 - standard rate plus 1%), monthly principal and interest payments of $1,180 (2020 - interest only payments).	239,484	240,000
Demand mortgage payable - interest at a fixed rate of 3.33%, principal and interest payments of $5,310	1,077,676	-
HFHC Demand mortgage payable - face value of $1,639,656 non-interest bearing, monthly principal payments of $nil, recorded at amortized cost using discount rate of 5%	689,697	507,360
	13,533,542	13,589,987
Less: Scheduled principal payments for one year	703,126	575,393
Long-term debt	$ 12,830,416	$ 13,014,594

7. **Long-term debt** (continued)**:**

In addition to the security outlined above, all long term debt is secured by a general security agreement creating a first charge on all assets, the specific assignment of mortgages receivable, a letter of undertaking providing the lender the right to register a caveat on titles related to the mortgage receivables in the event of the Organization's default, the assignment of fire insurance and an all obligations mortgage in the amount of $4,000,000 creating a first charge on land and buildings at 60 Archibald Street, Winnipeg, Manitoba. Of the demand mortgages payable noted above, $2,616,622 (2020 – 3,296,734) are secured by registered multi-purpose mortgages with a first charge on specified residential properties.

Management does not believe that the demand features of the long-term debt will be exercised in the current period. Assuming payment of the long-term debt is not demanded, regular principal payments required on all long-term debt are due as follows:

2022	$	703,126
2023		741,213
2024		777,231
2025		804,677
2026		829,378
Thereafter		9,677,917

The Organization has an authorized operating line of $600,000 (2020 – $600,000) of which $nil is drawn (2020 - $nil), that bears interest at the financial institution's standard rate plus 1% (2020 – standard rate plus 1%) and is secured by a general security agreement creating a first charge on all assets, the specific assignment of mortgage receivable, the assignment of fire insurance and an all obligations mortgage in the amount of $4,000,000 creating a first charge on land and buildings at 60 Archibald Street, Winnipeg, Manitoba. The line is subject to annual review from the financial institution.

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 Winnipeg Habitat for Humanity Inc. to provide forgivable interest free loans of up to $100,000 per housing unit, to finance the construction of 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 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. Please see Appendix A Statement of sources of cash inflow and expenditures on CMHC approved Projects.

The Organization must meet certain financial covenants. As at year end the Organization was in compliance with the covenants.

8. **Letters of credit:**

The Organization has available Letters of Credit in an aggregate amount of up to $640,800 relating to requirements of the City of Winnipeg for build site service costs and security for credit cards. As at December 31, 2021, $333,330 (2020 - $586,350) of Letters of Credit were issued. $333,330 of the letters of credit bear interest at the financial institution's standard rate plus 1% (2020 – $586,350, standard rate plus 1%). The letters of credit are automatically renewed for a period of 90 days from the expiry date unless the beneficiary notifies the financial institution in writing that it should not be extended.

9. Special events:

Special events are comprised of the following:

2021	Cycle of Hope	House Party	Ride Around the Lake	Spirit of Hope	Radiothon	Prairie 500	Coldest Night of the Year	Total
Revenue	$ 19,397	$ 41,698	$ 418,183	$ 60,949	$ 36,472	$ -	$ 18,200	$ 594,899
Expenses	4,185	27,327	59,980	23,574	23,710	-	4,352	143,128
Net	$ 15,212	$ 14,371	$ 358,203	$ 37,375	$ 12,762	$ -	$ 13,848	$ 451,771

2020	Cycle of Hope	House Party	Ride Around the Lake	Spirit of Hope	Radiothon	Prairie 500	Coldest Night of the Year	Total
Revenue	$ 81,586	$ 41,330	$ 354,533	$ -	$ -	$ 4,378	$ -	$ 481,827
Expenses	5,345	887	35,164	-	-	2,289	1,620	45,305
Net	$ 76,241	$ 40,443	$ 319,369	$ -	$ -	$ 2,089	$ (1,620)	$ 436,522

10. Cost of residential properties sold to Habitat families:

Included in cost of transferred residential properties are construction overhead costs allocated in the amount of $41,713 (2020 - $239,491) based on management's internal tracking of costs by department.

11. Endowment fund:

The Organization entered into an agreement with The Winnipeg Foundation for establishment of The Habitat for Humanity Winnipeg Endowment Fund. The Winnipeg Foundation will preserve the capital in its Consolidated Trust Fund and will distribute all income generated thereon to the Organization in perpetuity. The fair value of these funds as at December 31, 2021 is approximately $84,195 (2020 - $75,291).

12. Employee benefits:

The Organization maintains a defined contribution pension plan for its employees. The expense for this plan is equal to the Organization's required contributions for the year. The total expense is $105,763 (2020 - $109,932) for the year and is included in administrative expenses and Habitat ReStore expenses.

13. Commitments:

The Organization has leased certain equipment, retail and premises space under operating leases. The approximate future minimum lease payments under these leases are as follows:

2022	$ 182,000
2023	177,000
2024	182,000
2025	175,000
2026	170,000

14. Guarantee:

The Organization has provided a guarantee of the operating line of a subsidiary company in the amount of $50,000 (2020 - $50,000). The Organization has also provided a guarantee of a $450,000 (2020 - $450,000) revolving term loan with another subsidiary company and an assignment of mortgage receivables. As at December 31, 2021 $12,518 (2020 - $43,957) of the operating line was outstanding and $nil (2020 - $nil) of the revolving term loan was outstanding.

15. Government assistance:

The Organization applied for the Canada Emergency Wage Subsidy and the Canada Temporary Wage Subsidy relating to salaries paid during the years ended December 31, 2021 and 2020. A wage subsidy receivable of $nil (2020 - $63,711) has been recorded in accounts receivable and $741,060 (2020 - $614,461) for wage subsidies is included in government support revenue.

The Organization applied for the Canada Emergency Rent Subsidy relating to property expenses paid for the years ended December 31, 2021 and 2020. A rent subsidy receivable of $nil (2020 - $59,915) has been recorded in accounts receivable and $166,439 (2020 - $59,915) for rent subsidies is included in government support revenue.

16. Financial risks and concentration of risk:

Management's risk management policies are typically performed as a part of the overall management of the Organization's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its operations, the Organization is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Organization, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

Liquidity risk-

Liquidity risk is the risk that the Organization cannot meet its financial obligations associated with financial liabilities in full. The Organization's main sources of liquidity are its operations and external borrowings. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Organization's financial obligations associated with financial liabilities.

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Organization has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Organization also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. No allowance for doubtful accounts has been recorded for accounts receivable. The Organization has secured mortgages receivable against the title of the homes transferred. Management is of the opinion that they are not exposed to significant credit risk in regards to mortgages receivable as the value of the homes exceed the value of the outstanding mortgage values.

Interest Rate Risk-

Interest rate risk is the risk that the fair value known as interest rate price risk or future cash flows known as interest rate cash flow risk, of a financial instrument will fluctuate because of changes in market interest rates.

The Organization is exposed to interest rate price risk with respect to mortgages receivable held at fixed rates and for long term debt held at fixed rates.

The Organization is exposed to interest rate cash flow risk with respect to long term debt held at variable interest rates.

17. Subsequent event:

In 2020 the development of a new 20 unit bare land condominium began at 1466 Templeton Ave., Winnipeg. As at December 31, 2021, 10 of the units are occupied by Habitat Families. Subsequent to December 31, 2021, the condominium documents have now been registered at the Winnipeg Land Titles Office. The Board of Directors of the Condominium Corporation currently consists of one appointee of the Organization. The Organization will start transferring title to the 10 Units to the respective Habitat Families in April 2022. On or about April 29, 2022, it is intended that the Organization will transfer the 11th unit to a Habitat Family. Within six months after 51% of the units are transferred, a turnover meeting shall occur where the previous Board of Directors organized by the Organization will be replaced by a Board of Directors elected by Habitat Families as the unit holders.

18. COVID-19:

The outbreak of COVID-19, has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Subsequent to December 31, 2021 government has continued to react with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at the time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Organization in future periods.

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
Expenses:		
Amortization	$ 34,684	$ 34,165
Automotive	16,909	16,385
Bank charges and interest	43,998	38,040
Homeowner selection and support	11,612	10,049
Insurance	16,051	13,717
Office	133,096	129,380
Professional fees	97,472	66,887
Property taxes	12,190	12,891
Public relations, media and promotions	76,653	53,911
Salaries and benefits	1,456,751	1,447,821
Telephone	18,256	12,903
Tithe	11,000	11,000
Training	20,169	15,252
Travel and conference	4,818	4,732
Utilities	6,495	5,517
Volunteer support	27,222	24,874
	$ 1,987,376	$ 1,897,524

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED SCHEDULE OF HABITAT RESTORE OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
Expenses:		
Amortization	$ 128,232	$ 133,035
Automotive	31,708	22,580
Bank charges and interest	25,667	27,298
Building repairs and maintenance	21,008	27,116
Insurance	20,136	19,223
Lease costs	320,045	388,350
Licenses and permits	-	116
Office	41,916	29,669
Procurement costs	3,037	2,516
Property tax	48,758	51,566
Public relations, media and promotions	2,541	4,865
Salaries and benefits	929,201	942,495
Telephone	11,356	12,236
Travel and conference	1,726	2,173
Utilities	59,888	55,292
Volunteer recognition	699	1,685
Waste disposal	30,171	34,748
	$ 1,676,089	$ 1,754,963

STATEMENTS OF SOURCES OF CASH INFLOW AND EXPENDITURES ON CMHC APPROVED PROJECTS

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
Sources of cash inflows:		
Cash used from internal sources	$ -	$ 341,496
Gifts-in-kind (land or other build products)	-	99,181
Debt financing - SCU	1,080,000	1,320,000
Debt financing - Habitat for Humanity Canada	375,875	1,263,781
Total cash inflows	$ 1,455,875	$ 3,024,459
Eligible expenses:		
Cost of land	$ -	$ 972,301
General construction expenses	20,420	37,720
Site preparation expenses	94,842	183,778
Concrete work	1,711	153,813
Roofing and exterior work	237,693	414,223
Interior costs	334,473	295,709
Electrical and mechanical costs	361,234	271,105
Post home construction expenses	-	27,894
Other construction site expenses	9,629	41,406
Construction staff cost	361,257	620,510
Other direct expenses not included above	24,000	6,000
Total eligible expenses	$ 1,445,259	$ 3,024,459