WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022, 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, 2022, 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 23, 2023
Winnipeg, Canada

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

		2022		2021
ASSETS				
Current assets:				
Cash and deposits	$	3,213,840	$	3,607,568
Accounts receivable		1,442,271		135,994
Inventory		124,161		56,380
Refundable deposits and prepaid expenses		325,951		251,785
Construction in progress - occupied condominiums		-		2,807,869
Construction in progress		2,911,127		2,728,962
Scheduled repayments of mortgages receivable (Note 3)		2,143,071		2,145,408
Current assets before mortgages receivable		10,160,421		11,733,966
Mortgages receivable (Note 3)		44,426,534		41,883,059
Total current assets		54,586,955		53,617,025
Residential property		5,208,189		3,942,998
Property and equipment (Note 4)		545,094		604,442
Investment in subsidiaries (Note 5)		74,890		53,030
	$	60,415,128	$	58,217,495
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities	$	1,226,616	$	754,212
Government remittances payable		239,441		33,769
Deposits		-		41,201
Escrow accounts		374,500		340,300
Deferred contributions (Note 6)		102,920		126,334
Scheduled repayments of long-term debt (Note 7)		661,432		703,126
Current liabilities before long-term debt		2,604,909		1,998,942
Long-term debt (Note 7)		13,566,112		12,830,416
Total liabilities		16,171,021		14,829,358
Net assets:				
Invested in property and equipment		293,912		316,635
Internally restricted chapter funds		1,318,652		878,825
Unrestricted		42,631,543		42,192,677
		44,244,107		43,388,137
	$	60,415,128	$	58,217,495

APPROVED BY THE BOARD:

______________________________ **Director** ______________________________ **Director**

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended December 31 2022	2021
Revenue:		
Donations-		
Cash contributions and grants	$ 4,100,627	$ 2,965,919
Construction materials	264,853	175,158
Habitat ReStore	2,555,219	2,286,598
Interest income	53,800	20,177
Special events (Note 9)	1,051,208	594,899
Government support (Note 15)	-	907,499
Miscellaneous	210,195	98,068
Sale of residential properties to Habitat families	7,917,809	1,463,674
Critical repairs	9,628	-
	16,163,339	8,511,992
Expenses:		
Administrative expenses (Schedule A)	2,246,105	1,987,376
Habitat ReStore expenses (Schedule B)	1,598,493	1,676,089
Cost of residential properties sold to Habitat families (Note 10)	9,421,685	1,680,135
Habitat for Humanity Canada affiliation fees	259,893	218,959
Repairs and maintenance and home warranty	30,377	14,746
Special events (Note 9)	250,659	143,128
Interest on long-term debt	509,911	473,990
Critical repairs	21,068	-
	14,338,191	6,194,423
Excess of revenue over expenses before the following:	1,825,148	2,317,569
Equity gain from subsidiaries (Note 5)	21,291	12,628
Gain on sale of property and equipment	3,000	26,500
Amortization of discount on interest-free long-term debt	878,433	188,737
Net change in fair value discount on mortgages receivable (Note 3)	(1,871,902)	(182,951)
	(969,178)	44,914
Excess of revenue over expenses	$ 855,970	$ 2,362,483

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 2022	2021
Net assets, beginning of year	$ 316,635	$ 878,825	$ 42,192,677	$ 43,388,137	$ 41,025,654
Excess (deficiency) of revenue over expenses	(118,712)	-	974,682	855,970	2,362,483
Internal transfer of chapter funds	-	439,827	(439,827)	-	-
Net additions to property and equipment, net of change in related debt	95,989	-	(95,989)	-	-
Net assets, end of year	$ 293,912	$ 1,318,652	$ 42,631,543	$ 44,244,107	$ 43,388,137

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31	
	2022	2021
Cash flow from operating activities:		
Excess of revenue over expenses	$ 855,970	$ 2,362,483
Adjustments for:		
Amortization	118,712	173,684
Net change in fair value discount on mortgages receivable	1,871,902	182,951
Amortization of discount on interest-free debt	135,411	76,529
Fair value adjustment of Habitat for Humanity Canada interest-free debt	(1,013,845)	(265,266)
Loss on sale of residential properties to Habitat families	1,503,876	216,461
Equity gain from subsidiaries	(21,291)	(12,628)
	3,450,735	2,734,214
Changes in the following:		
Accounts receivable	(1,306,277)	120,754
Government remittances payable	205,672	(344)
Inventory	(67,781)	(53,083)
Refundable deposits and prepaid expenses	(74,166)	29,143
Accounts payable and accrued liabilities	472,404	(19,709)
Escrow accounts	34,200	20,300
Deferred contributions	(64,615)	38,401
	2,650,172	2,869,676
Cash flow from financing activities:		
Proceeds on long-term debt	3,071,957	1,455,875
Repayment of long-term debt	(1,499,521)	(1,323,583)
	1,572,436	132,292
Cash flow from investing activities:		
Mortgage receivable payments received	3,411,880	2,814,532
Deposits received	-	41,201
Acquisition and construction of residential property	(7,968,283)	(4,335,495)
Purchase of property and equipment	(59,364)	(82,467)
Change in advances	(569)	(558)
	(4,616,336)	(1,562,787)
Change in cash	(393,728)	1,439,181
Cash, beginning of year	3,607,568	2,168,387
Cash, end of year	$ 3,213,840	$ 3,607,568

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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 22 (2021 – 14) homes and finished 2 (2021 – 1) of these. In addition, the Organization finished 13 (2021 – 14) homes started in the prior years.

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)-

Critical Repairs income is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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 255 (2021 – 241) 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	2022	2021
Mortgages receivable	$ 49,886,303	$ 3,316,698	$ 46,569,605	$ 44,028,467
Less: scheduled repayments of mortgages receivable			2,143,071	2,145,408
			$ 44,426,534	$ 41,883,059

The fair value of these mortgages receivable is based on discounting the mortgages with an effective rate of 7.35% (2021 – 3.39%) and a term of one year (2021 – one year).

	2022	2021
Fair value discount on new and renewed mortgages in the year	$ (5,173,260)	$ (1,691,161)
Amortization of fair value discount in the year	3,301,358	1,508,210
Net change in fair value discount on mortgages receivable	$ (1,871,902)	$ (182,951)

4. Property and equipment:

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 247,351	$ -	$ 247,351	$ -
Buildings	1,971,666	1,923,894	1,971,666	1,871,065
Furniture, fixtures and computer equipment	887,049	731,950	863,168	694,123
Equipment	106,617	106,617	106,617	104,959
Automotive	350,047	293,471	328,266	289,544
Telephone equipment	53,006	50,243	53,006	46,342
Leasehold improvements	49,714	14,181	49,714	9,313
	$ 3,665,450	$ 3,120,356	$ 3,619,788	$ 3,015,346
Net book value	$ 545,094		$ 604,442	

Amortization expense for the year ended December 31, 2022 is $118,712 (2021 - $173,684). Of this amount $11,661 (2021 - $10,768) 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:

	2022	2021
Advances to subsidiary, non-interest bearing, no set terms of repayment	$ 50	$ 50
Balance, beginning of year	50,069	36,584
Net income	22,160	13,485
Balance, end of year	72,229	50,069
	$ 72,279	$ 50,119

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

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

	2022	2021
Financial position		
Total assets	$ 105,509	$ 66,371
Total liabilities	$ 33,280	$ 16,302
Total shareholder's equity	72,229	50,069
	$ 105,509	$ 66,371
Results of operations		
Total revenues	$ 79,606	$ 65,386
Total expenses	57,446	51,901
Net income	$ 22,160	$ 13,485
Cash flow from (used in)		
Operating activities	$ (8,959)	$ 31,439
Change in cash	$ (8,959)	$ 31,439

During the year, the Organization earned commissions from the subsidiary in the amount of $31,834 (2021 - $26,140). In addition, included in accounts payable of the Organization is an amount of $91,079 (2021 - $50,717) 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:

	2022	2021
Advances to subsidiary, non-interest bearing, no set terms of repayment	$ 22,694	$ 22,125
Investment in subsidiary		
Balance, beginning of year	(19,214)	(18,357)
Net loss	(869)	(857)
Balance, end of year	(20,083)	(19,214)
	$ 2,611	$ 2,911

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

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

	2022	2021
Financial position		
Total assets	$ 2,611	$ 2,911
Total liabilities	$ 22,694	$ 22,125
Total shareholder's equity	(20,083)	(19,214)
	$ 2,611	$ 2,911
Results of operations		
Total expenses	$ (869)	$ (857)
Net loss	$ (869)	$ (857)
Cash flow (used in) from		
Operating activities	$ (299)	$ (299)
Investing activities	(570)	(558)
Change in cash	$ (869)	$ (857)

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.

	2022	2021
Beginning balance	$ 126,334	$ 87,933
Add: Contributions received during the year	102,920	117,209
	229,254	205,142
Less: Amounts amortized to revenue	126,334	78,808
Ending balance	$ 102,920	$ 126,334

7. Long-term debt:

	2022	2021
Demand mortgage payable - interest at a fixed rate of 4.49% (2021 - 4.49%), monthly principal and interest payments of $11,776 (2021 - $11,776)	$ 740,804	$ 846,608
Demand mortgage payable - interest at the financial institution's standard rate plus 1% (2021 - 1%), monthly principal and interest payments of $365 (2021 - $365), secured by a registered multi-purpose mortgage creating a first charge on specified residential properties	36,952	39,505
Demand mortgage payable - face value of $81,007 (2021 - $81,007) non-interest bearing, monthly principal payments of $250 (2021 - $250), recorded at amortized cost using discount rates ranging from 5.4% to 6.5% (2021 - 5.4% to 6.5%)	57,406	69,081
Demand mortgage payable - interest at a fixed rate of 3.47% (2021 - 3.47%), monthly principal and interest payments of $18,841 (2021 - $18,841)	1,331,835	1,508,451
Term loan payable - interest at the financial institution's standard rate plus 2% (2021 - standard rate plus 2%), monthly principal and interest payment of $600 (2021 - $600), secured by first charge on 2014 GMC Savanna Cube Van	-	4,124
Demand mortgage payable - interest at the financial institution's standard rate plus 1% (2021 - 1%), monthly principal and interest payments of $366 (2021 - $366)	59,621	61,126
Demand mortgage payable - interest at the financial institution's standard rate plus 1% (2021 - 1%), monthly principal and interest payments of $1,750 (2021 - $1,750)	266,432	274,498
Demand mortgage payable - interest at a fixed rate of 3.96% (2021 - 3.96%%), monthly principal and interest payments of $9,190 (2021 - $9,190)	1,684,380	1,727,087
Demand mortgage payable - interest at a fixed rate of 4.25% (2021 - 4.25%), monthly principal and interest payments of $583 (2021 - $583)	-	5,489
Demand mortgage payable - interest at a fixed rate of 4.36% (2021 - 4.36%), monthly principal and interest payments of $10,414 (2021 - $10,414)	1,041,909	1,119,598
Demand mortgage payable - interest at a fixed rate of 4.40% (2021 - 4.40%), principal and interest payments ranging from $198 - $4,046 (2021 - $198 - $4,046)	893,719	981,341
Demand mortgage payable - interest at a fixed rate of 2.73% (2021 - 2.73), monthly principal and interest payments of $382 (2021 - $382)	48,741	51,946
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 specified residential properties. Discharged on September 28, 2022.	-	677,117
Sub total	$ 6,161,799	$ 7,365,971

NON-CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Sub total from previous page:	$ 6,161,799	$ 7,365,971
Demand mortgage payable - interest at a fixed rate of 2.73% (2021 - standard rate plus 1%), monthly principal and interest payments of $7,717 (2021 - $7,176)	1,495,691	1,540,244
Demand mortgage payable - interest at a fixed rate of 2.73% (2021 - 2.73%), monthly principal and interest payments of $843 - 1,107 (2021 - $843 - $1,107)	287,303	351,212
Demand mortgage payable - interest at a fixed rate of 3.33% (2021 - 3.33%), monthly principal and interest payments of $595 (2021 - $595)	113,471	116,776
Demand mortgage payable - interest at a fixed rate of 5.85% (2021 - the financial institution's standard rate plus 1%), monthly principal and interest payments of $11,000 commencing December 1, 2023, secured by registered multi-purpose mortgages creating a first charge on specified residential properties	1,868,474	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. Discharged on September 28, 2022	-	112,159
Demand mortgage payable - interest at a fixed rate of 3.33% payments of $1,180 (2021 - $1,180)	233,195	239,484
Demand mortgage payable - interest at a fixed rate of 3.33% (2021 - 3.33%), principal and interest payments of $5,310 (2021 - $5,310)	1,049,379	1,077,676
HFHC Demand mortgage payable - face value of $3,151,613 (2021 - $1,639,656) non-interest bearing, monthly principal payments of $nil (2021 - $nil), recorded at amortized cost using discount rate of 5%	1,319,896	689,697
Demand mortgage payable - interest at a fixed rate of 5.85%, interest only, monthly principal and interest payments ranging from $1,515 - $6,820 to commence January 1, 2023	1,320,000	-
Demand mortgage payable - interest at a fixed rate of 5.85%, interest only, monthly principal and interest payments ranging from $1,515 to commence April 1, 2023	240,000	-
Demand mortgage payable - interest at the financial institution's standard rate plus 1% (2021 - the financial institution's standard rate plus 1%), interest only, monthly principal and interest payments ranging from $961 to commence October 1, 2023	138,336	140,323
	14,227,544	13,533,542
Less: Scheduled principal payments for one year	661,432	703,126
Long-term debt	$ 13,566,112	$ 12,830,416

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, $1,905,426 (2021 – 2,616,622) 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:

2023	$	661,432
2024		712,020
2025		738,742
2026		762,792
2027		791,835
Thereafter		10,560,723

The Organization has an authorized operating line of $600,000 (2021 – $600,000) of which $nil is drawn (2021 - $nil), that bears interest at the financial institution's standard rate plus 1% (2021 – 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, 2022, $328,030 (2021 - $333,330) of Letters of Credit were issued. $328,030 of the letters of credit bear interest at the financial institution's standard rate plus 1% (2021 – $333,330, 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:

2022	Cycle of Hope	House Party	Ride Around the Lake	Spirit of Hope	Radiothon	Scotch Tasting	Coldest Night of the Year	Total
Revenue	$ 217,396	$ 175,926	$ 438,773	$ 19,117	$ -	$ 199,996	$ -	$ 1,051,208
Expenses	67,068	61,197	60,172	14,802	-	47,420	-	250,659
Net	$ 150,328	$ 114,729	$ 378,601	$ 4,315	$ -	$ 152,576	$ -	$ 800,549

2021	Cycle of Hope	House Party	Ride Around the Lake	Spirit of Hope	Radiothon	Scotch Tasting	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

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 $607,773 (2021 - $41,713) 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, 2022 is approximately $73,262 (2021 - $84,195).

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 $118,649 (2021 - $105,763) 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:

2023	$ 184,000
2024	189,000
2025	182,000
2026	177,000
2027	170,000

14. Guarantee:

The Organization has provided a guarantee of the operating line of a subsidiary company in the amount of $50,000 (2021 - $50,000). The Organization has also provided a guarantee of a $450,000 (2021 - $450,000) revolving term loan with another subsidiary company and an assignment of mortgage receivables. As at December 31, 2022 $21,477 (2021 - $12,518) of the operating line was outstanding and $nil (2021 - $nil) of the revolving term loan was outstanding.

15. 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.

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Expenses:		
Amortization	$ 24,509	$ 34,684
Automotive	21,839	16,909
Bank charges and interest	29,593	43,998
Homeowner selection and support	19,760	11,612
Insurance	19,652	16,051
Office	216,052	133,096
Professional fees	86,093	97,472
Property taxes	12,919	12,190
Public relations, media and promotions	95,649	76,653
Salaries and benefits	1,601,558	1,456,751
Telephone	14,177	18,256
Tithe	11,000	11,000
Training	22,618	20,169
Travel and conference	26,084	4,818
Utilities	7,776	6,495
Volunteer support	36,826	27,222
	$ 2,246,105	$ 1,987,376

NON-CONSOLIDATED SCHEDULE OF HABITAT RESTORE OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Expenses:		
Amortization	$ 82,542	$ 128,232
Automotive	34,082	31,708
Bank charges and interest	33,216	25,667
Building repairs and maintenance	27,744	21,008
Insurance	21,605	20,136
Lease costs	192,342	320,045
Licenses and permits	230	-
Office	29,421	41,916
Procurement costs	26,039	3,037
Property tax	51,676	48,758
Public relations, media and promotions	5,766	2,541
Salaries and benefits	994,661	929,201
Telephone	10,476	11,356
Travel and conference	1,196	1,726
Utilities	56,042	59,888
Volunteer recognition	445	699
Waste disposal	31,010	30,171
	$ 1,598,493	$ 1,676,089

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

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Sources of cash inflows:		
Cash used from internal sources	$ 2,480,776	$ -
Debt financing - SCU	1,320,000	1,080,000
Debt financing - Habitat for Humanity Canada	822,260	375,875
Total cash inflows	$ 4,623,036	$ 1,455,875
Eligible expenses:		
Cost of land	$ 140,434	$ -
General construction expenses	339,576	20,420
Site preparation expenses	304,999	94,842
Concrete work	418,300	1,711
Roofing and exterior work	1,018,341	237,693
Interior costs	598,590	334,473
Electrical and mechanical costs	487,979	361,234
Post home construction expenses	7,344	-
Other construction site expenses	18,840	9,629
Construction staff cost	1,171,791	361,257
Other direct expenses not included above	116,841	24,000
Total eligible expenses	$ 4,623,036	$ 1,445,259