

Habitat for Humanity Sunshine Coast

Financial Statements

December 31, 2021

Habitat for Humanity Sunshine Coast

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December 31, 2021

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Independent Auditor's Report

To the Members of Habitat for Humanity Sunshine Coast

Qualified Opinion

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

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were unable to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2021 and December 31, 2020, current assets and net assets as at December 31, 2021 and December 31, 2020. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

Additionally, we were unable to obtain sufficient appropriate audit evidence about the assets held for sale and property under construction balance as of December 31, 2021. These balances included various costs incurrent prior to 2015 and are unaudited, and so we were unable to practically verify the accuracy and occurrence of the transactions that occurred in these past periods. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. The unaudited balances, as reported in the accompanying statement of financial position are \$1,011,060.

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 Society in accordance with the 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

Independent Auditor's Report, continued

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

Those charged with governance are responsible for overseeing the Society'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. 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 Society'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 Society'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 Society 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.



Independent Auditor's Report, continued

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.

Sechelt, British Columbia
June 15th, 2022

Crowe MacKay LLP

Chartered Professional Accountants

Habitat for Humanity Sunshine Coast
Statement of Financial Position

December 31	Operating Fund	Housing Fund	Capital Asset Fund	2021	2020
Assets					
Current					
Cash (Note 4)	\$ 918,796	\$ 164,498	\$ -	\$ 1,083,294	\$ 216,974
Accounts receivable (Note 15)	763	-	-	763	10,541
GST receivable	11,172	-	-	11,172	27,957
Prepaid expenses	20,975	-	-	20,975	1,457
Term deposit	-	-	-	-	136,512
Mortgages receivable - current (Note 7)	-	5,583	-	5,583	5,442
	951,706	170,081	-	1,121,787	398,883
Tangible capital assets (Note 6)	-	-	78,795	78,795	5,786
Mortgages receivable (Note 7)	-	713,283	-	713,283	589,965
Property under construction (Note 8)	-	289,851	-	289,851	213,196
Deposits (Note 10)	-	14,334	-	14,334	14,334
Property held for sale (Note 5)	-	2,239,415	-	2,239,415	2,483,792
	\$ 951,706	\$ 3,426,964	\$ 78,795	\$ 4,457,465	\$ 3,705,956

Habitat for Humanity Sunshine Coast
Statement of Financial Position

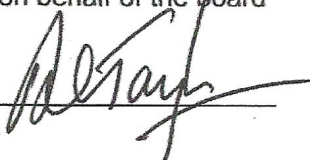
	Operating Fund	Housing Fund	Capital Asset Fund	2021	2020
December 31					
Liabilities					
Current					
Accounts payable & accrued liabilities \$	60,460	\$ 109,978	\$ -	\$ 170,438	\$ 71,896
Loans and advances payable (Note 11)	2,764	60,498	-	63,262	82,385
Current portions of loans payable (Note 13)	-	18,562	-	18,562	392,144
Current portion of forgivable loan (Note 15)	-	5,200	-	5,200	-
Government remittances (Note 9)	5,229	-	-	5,229	5,282
	68,453	194,238	-	262,691	551,707
Loans payable (Note 13)	50,000	357,453	-	407,453	30,001
Forgivable loan (Note 15)	-	98,800	-	98,800	-
Asset retirement obligation (Note 14)	-	-	95,189	95,189	-
	118,453	650,491	95,189	864,133	581,708
Fund balances					
Unrestricted	833,253	-	-	824,095	202,614
Internally restricted	-	2,776,473	(16,394)	2,769,237	2,921,634
	833,253	2,776,473	(16,394)	3,593,332	3,124,248
	\$ 951,706	\$ 3,426,964	\$ 78,795	\$ 4,457,465	\$ 3,705,956

COVID-19 Pandemic (Note 2)

Commitments (Note 16)

Approved on behalf of the board

Director



Director



Habitat for Humanity Sunshine Coast
Statement of Operations

	Operating Fund	Housing Fund	Capital Asset Fund		
For the year ended December 31				2021	2020
Sales					
Restore	\$ 802,022	\$ -	\$ -	\$ 802,022	\$ 697,140
Recycling	74,927	-	-	74,927	31,496
Property sales	-	400,000	-	400,000	-
	876,949	400,000	-	1,276,949	728,636
Direct expenses					
ReStore	373,552	-	-	373,552	367,840
Recycling	32,184	-	-	32,184	9,856
Property sales	-	246,765	-	246,765	-
	405,736	246,765	-	652,501	377,696
Net contribution from ReStore and Recycling operations (Note 15)	471,213	153,235	-	624,448	350,940
Other revenue					
Donations (Note 15)	325,729	-	-	325,729	34,555
Grants	6,167	-	-	6,167	-
Fundraising	-	-	-	-	3,000
Mortgage interest	-	28,806	-	28,806	27,780
Interest and other	3,399	-	-	3,399	6,165
	335,295	28,806	-	364,101	71,500
Total Revenue	806,508	182,041	-	988,549	422,440
Operating expenses (Schedule 3)	227,085	-	22,181	249,266	251,388
Excess of revenue over expenses before other items	579,423	182,041	(22,181)	739,283	171,052

Habitat for Humanity Sunshine Coast
Statement of Operations

	Operating Fund	Housing Fund	Capital Asset Fund		
For the year ended December 31				2021	2020
Other income (expenses)					
Gain (loss) on sale of tangible capital assets	-	-	-	-	2,800
Government assistance	-	-	-	-	31,669
Writedown of mortgages receivable to fair value	-	(270,199)	-	(270,199)	(108,931)
	-	(270,199)	-	(270,199)	(74,462)
Excess of revenue over expenses	\$ 579,423	\$ (88,158)	\$ (22,181)	469,084	96,590

Habitat for Humanity Sunshine Coast
Statement of Changes in Net Assets

For the year ended December 31	Operating Fund	Housing Fund	Capital Asset Fund	2021	2020
Balance, beginning of year	\$ 202,613	\$ 2,915,848	\$ 5,787	\$ 3,124,248	\$ 3,027,658
Excess (deficiency) of revenues over expenses	579,423	(88,158)	(22,181)	469,084	96,590
Interfund transfers (Note 12)	51,217	(51,217)	-	-	-
Balance, ending of year	\$ 833,253	\$ 2,776,473	\$ (16,394)	\$ 3,593,332	\$ 3,124,248

Habitat for Humanity Sunshine Coast

Statement of Cash Flows

For the year ended December 31	2021	2020
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 469,084	\$ 96,590
Adjustments for		
Amortization of tangible capital assets	20,050	1,949
Accretion expense	2,131	-
Realized gain on sale of properties	(153,235)	-
Interest accrual on short term investment	-	(331)
Writedown of mortgages receivable to fair value	270,199	108,931
(Gain) loss on disposal of tangible capital assets	-	(2,800)
Government assistance - CEBA	-	(10,000)
Total adjustments	139,145	97,749
	608,229	194,339
Change in non-cash working capital items		
Accounts receivable	9,778	2,177
Prepaid expenses	(19,518)	1,101
Property held for sale	(2,388)	(188,194)
Accounts payable & accrued liabilities	98,541	19,054
Government remittances	(53)	56
Loans and advances payable	(19,123)	(3,991)
GST receivable	16,785	(6,640)
Deposits	-	2,000
	692,251	19,902
Investing activities		
Mortgage payments received	6,341	3,032
Expenditures on property under construction	(76,655)	(110,834)
Proceeds from sale of term deposit	136,512	122,037
Repayment of advances to related party	-	7,523
Proceeds on disposition of tangible capital assets	-	2,800
	66,198	24,558
Financing activities		
Repayments of loans payable	(16,129)	(10,410)
Proceeds of forgivable loan	104,000	-
Proceeds of loans payable	20,000	40,000
	107,871	29,590
Increase in cash	866,320	74,050
Cash, beginning of year	216,974	142,924
Cash, end of year	\$ 1,083,294	\$ 216,974

Habitat for Humanity Sunshine Coast

Notes to the Financial Statements

December 31, 2021

1. Nature of operations

Habitat for Humanity Sunshine Coast (the "Society") was incorporated under the Society Act of British Columbia as a not-for-profit organization on April 18, 2005 and subsequently transitioned to the Societies Act of British Columbia. The Society builds affordable housing and promotes home-ownership as a means to breaking the cycle of poverty. The Society is a registered charity under the Income Tax Act.

2. COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared a global pandemic. The outbreak of the novel strain of the coronavirus, COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility. Governments and central banks including Canadian federal, provincial, territorial and municipal governments have responded with significant monetary and fiscal interventions designed to stabilize economic conditions.

During the year, the Society was able to reopen recycling and restore operations which were previously closed as a result of COVID-19. The Society had been minimally impacted by the pandemic in 2021.

As of the date of these financial statements, management has determined that there has not been a significant impact in that they continued to meet their obligations and use the assets as intended.

However, the COVID-19 outbreak presents uncertainty over future cash flows, may cause significant changes to the Society's assets or liabilities and may have an impact on future operations. The ultimate impact and magnitude of the impact on the economy and the financial effect of the Society's future revenues, operating results and overall financial performance is not known at this time. The Society continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis.

3. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Fund accounting restricted

The revenues and expenses related to the collection of unrestricted donations and fund raising activities are reported in the Operating Fund. Revenue is recognized when donations are received or become receivable.

The Housing Fund reports amounts related to the construction and sale of homes to families in financial need. Revenue is recognized when donations are received or become receivable.

The Tangible Capital Asset Fund reports amounts related to the capital assets of the Society. Revenue is recognized when donations are received or become receivable.

Habitat for Humanity Sunshine Coast

Notes to the Financial Statements

December 31, 2021

3. Significant accounting policies, continued

(b) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

(c) Financial instruments

(i) Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Society subsequently measures its financial assets and financial liabilities at amortized cost. Mortgages receivable are measured at fair value. Changes in fair value balances are recognized in net income.

Financial assets measured at amortized cost include cash, accounts receivable and deposits.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, loans and advances payable, and forgivable loan.
The Society has designated mortgages receivable to be measured at fair value.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- ♦ the present value of the cash flows expected to be generated by the asset or group of assets;
- ♦ the amount that could be realized by selling the assets or group of assets;
- ♦ the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

Habitat for Humanity Sunshine Coast

Notes to the Financial Statements

December 31, 2021

3. Significant accounting policies, continued

(d) Property held for sale

Property held for sale, which includes buildings and building materials, both purchased and donated, is recorded at the lower of cost and net realizable value.

(e) Projects held for sale and under development

Projects held for sale are carried at the lower of cost and net realizable value. Payments received from prospective homeowners under "tenancy-at-will" agreements are held by the Society to be applied against the outstanding mortgage balance upon sale of the home.

Projects under development are carried at cost.

(f) Mortgages receivable

Mortgages receivable are initially measured at the fair value of the consideration given when the Society becomes party to the signed mortgage. As the instrument is an interest-free loan, fair value will be determined by discounting future cash flows at a fair market rate for the cost of borrowing for the term of the mortgage.

(g) Tangible capital assets

Tangible capital assets are recorded at cost. The Society provides for amortization using the declining balance method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Equipment	Declining balance	20%
Vehicles	Declining balance	30%
Computer equipment	Declining balance	30%
Asset retirement obligation	Straight-line	5 Years

(h) Impairment of long-lived assets

The Society 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 undiscounted future net cash flows 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 carrying value exceeds its fair value.

Property under development, which includes land, buildings, and building materials, both purchased and donated, is recorded at the lower of cost and net realizable value. Net realizable value is defined as the lower of market value less cost of disposition. Any excess of carrying value over net realizable value is expensed in the year in which the impairment is realized. Interest costs incurred during the construction period are capitalized as incurred.

Habitat for Humanity Sunshine Coast

Notes to the Financial Statements

December 31, 2021

3. Significant accounting policies, continued

(i) Asset retirement obligations

The fair value of an Asset Retirement Obligation is recognized in the period in which the obligation is incurred discounted to its present value using the Society's credit-adjusted risk-free interest rate. The fair value of the estimated obligation is recorded as a long term liability, with a corresponding increase in the carrying amount of the related asset. The costs capitalized to the related assets are amortized to earnings in a manner consistent with the depletion, depreciation and amortization of the underlying asset. The liability amount is increased in each reporting period due to passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted costs could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded.

(j) Revenue recognition

The Society follows the restricted fund method of accounting for contributions which include donations and government grants.

Contributions of tangible capital assets are recognized in the appropriate fund when received.

The ReStore outlet sells donated new and used building materials. ReStore revenue is recognized when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable, and collection is reasonably assured, which is generally at the point of sale.

Recycling revenues are recognized when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable, and collection is reasonably assured, which is generally at the point of sale.

Revenue from projects is recognized upon transfer of property title to the partner family. The proceeds recognized are equal to the principal value of the mortgages. Property sales are recognized when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable, and collection is reasonably assured, which is generally at the closing date of the contract.

Membership and other revenues such as donations and fundraising revenue are recognized in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Interest revenue is recorded on the accrual basis.

Habitat for Humanity Sunshine Coast

Notes to the Financial Statements

December 31, 2021

3. Significant accounting policies, continued

(k) Donated goods and services

Donated goods and services are recorded when a fair value can be reasonably estimated and they would otherwise be purchased by the Society. Donated goods that are received by the Society from Habitat for Humanity Canada (HFHC) gift in kind program are recorded at the fair value estimated by HFHC.

Goods donated to ReStore are not recorded in these financial statements.

A substantial number of volunteers make significant contributions of their time to the Society's program and supporting activities. The value of this contributed time is not reflected in these financial statements.

(l) Allocated expenses

Salaries and benefits expenses are allocated to various activities based on the time and efforts dedicated by staff to support those activities. Facilities expenses are allocated to the various activities based on the usage for each activity.

(m) Income taxes

The Society is exempt from income taxes under section 149 of the Income Tax Act.

(n) Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions 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 year. Actual results could differ from those estimates.

Significant estimates may include the value of donated items, the recoverability and useful life of tangible capital assets, the net realizable value of property held for sale and projects under development and the fair value of non-interest-bearing mortgages. The uncertainties around the outbreak of COVID-19 pandemic required the use of judgments and estimates which resulted in no material impacts for the year ended December 31, 2021. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a significant risk of material adjustment to the reported amounts of assets, liabilities, revenue and expenses in the financial statements.

While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. The Society is unclear if this disruption will negatively impact its future operating results. The related financial impact and duration cannot be reasonably estimated at this time. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported on the statement of earnings in the periods in which they become known. Consequently, actual results could differ from those estimates.

Habitat for Humanity Sunshine Coast

Notes to the Financial Statements

December 31, 2021

3. Significant accounting policies, continued

(o) Government assistance

Government grants are recognized when there is reasonable assurance that the Society will comply with the conditions of the grant and the grant will be received. The Society recognizes government grants in the statement of operations in the same period the qualifying expenses are incurred. If a government grant is intended as compensation for expenses incurred in previous periods, the grant is recorded in income when it is received.

4. Credit facilities

The Society has an authorized line of credit of \$750,00 bearing interest at prime plus 2% (2021 - 4.45%), all of which was unused at year end. This facility is secured by a general security agreement, is due on demand with required monthly interest-only payments. Nothing has been drawn on this credit facility as at December 31, 2021.

5. Property held for sale

	2021	2020
Phase 1	\$ 212,402	\$ 456,779
Phase 2	534,289	534,289
Phase 5	701,788	701,788
Phase 6	790,936	790,936
Total	\$ 2,239,415	\$ 2,483,792

6. Tangible capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Equipment	\$ 11,258	\$ 8,877	\$ 2,381	\$ 2,975
Vehicles	31,835	31,341	494	705
Computer equipment	6,491	5,017	1,474	2,106
Asset retirement obligation	93,058	18,612	74,446	-
	\$ 142,642	\$ 63,847	\$ 78,795	\$ 5,786

Habitat for Humanity Sunshine Coast
Notes to the Financial Statements

December 31, 2021

7. Mortgages receivable

In 2021, the Society entered into one new mortgage (2020 – 0). In total there are 7 mortgages outstanding (2020 – 6). Although the mortgages receivable bear no interest, Canadian accounting standards for not-for-profit organizations require interest to be recognized in the statement of operations based on interest rates determined by management. Management uses the estimated mortgage rate for similar mortgages based on market rates at the inception of the mortgage.

	2021	2020
Non-interest bearing first mortgages receivable, secured by mortgaged properties, repayable in monthly installments and maturing on various dates between February 2033 and February 2049	\$ 718,866	\$ 595,407
Less current portion	5,583	5,442
Due beyond one year	\$ 713,283	\$ 589,965
2022	\$ 5,583	
2023	5,856	
2024	6,143	
2025	6,444	
2026	6,760	
	30,786	
Subsequent	688,080	
	\$ 718,866	

8. Property under construction

	2021	2020
Land	\$ 78,571	\$ 78,571
Land development costs	38,081	38,081
Common costs	170,477	149,838
Phase 7	149,753	10,460
Incidental income	(147,031)	(63,754)
	\$ 289,851	\$ 213,196

During the year no phases were completed. Building of Phase 7 is in progress. The estimated cost to complete the project is \$1,037,400 (2020 - \$735,600).

During the year, the Society capitalized interest of \$18,833 (2020 - \$18,689) to property under construction.

Habitat for Humanity Sunshine Coast
Notes to the Financial Statements

December 31, 2021

9. Government remittances

	2021	2020
WCB payable	\$ 1,538	\$ 1,468
PST payable	3,691	3,814
	\$ 5,229	\$ 5,282

10. Deposits

The Society holds bonds paid to the Sunshine Coast Regional District for the development of the Sunshine Coast Village Project.

11. Loans and advances payable

The amount of \$2,764 (2020: \$1,564) in the operating fund represents the amount received and held as damage deposits for per license agreements and amounts of license payments received in advance of payment due date.

The amount of \$60,498 (2020: \$80,821) in the housing fund represents the amount of monthly charges as per license agreements. These amounts will be repayable at the end of the agreement when the house transfers to the tenant and therefore would offset the cost of the home by the monthly payments made before the official sale.

12. Interfund transfers

During the year the Society made the following interfund transfers from its Operating Fund: \$51,217 (2020- \$239,590) was transferred to the Housing Fund to fund home construction and \$NIL (2020 - \$2,800) was transferred to the Capital Asset Fund to reflect proceeds received from disposition of a truck during the year.

13. Loans payable

	2021	2020
Sunshine Coast Credit Union, see note a)	\$ 50,000	\$ 30,000
Sunshine Coast Credit Union mortgage see note b)	113,329	117,945
Sunshine Coast Credit Union mortgage see note c)	262,686	274,200
	426,015	422,145
Less current portion	(18,562)	(392,144)
Due beyond one year	\$ 407,453	\$ 30,001

Habitat for Humanity Sunshine Coast
Notes to the Financial Statements

December 31, 2021

13. Loans payable, continued

Estimated principal re-payments are as follows:

2022	\$	18,562
2023		407,453
	\$	426,015

a) Sunshine Coast Credit Union, Canada Emergency Business Account - The amount of \$50,000 represents the unforgivable balance of the \$60,000 interest-free loan received under the Government of Canada COVID response programs. Up to \$20,000 of the loan may be eligible for loan forgiveness, if the loan is fully repaid on or before December 31, 2023 and certain financial criteria have been met. As at the year end date, \$NIL (2020: \$10,000) has been included in other income and represents the forgivable portion of the loan. The remaining forgivable portion of \$10,000 will be included in other income when the loan has been paid. If the unforgiven balance of the loan is not fully repaid by December 31, 2023 the remaining principal balance will be repayable and will bear interest at a rate of 5% per annum beginning on January 1, 2024. The loan is due in full December 31, 2025.

b) Sunshine Coast Credit Union mortgage bearing interest at 4.85%, payable in blended monthly payments of interest and principal of \$737 maturing on December 13, 2023

c) Sunshine Coast Credit Union mortgage bearing interest at 4.85%, payable in blended monthly payments of interest and principal of \$1,751 maturing on December 14, 2023

14. Asset retirement obligation

At December 31, 2021 the Society has an asset retirement obligation to demolish and remove the building included on the leased land. The estimated undiscounted amount required to remove the building at the end of the lease is \$104,212 (2020 - \$nil). This obligation is expected to be settled at the end of the lease which is in 5 years. The carrying amount of the asset related to this obligation is \$77,447 (2020 - \$ nil).

	2021	2020
Asset retirement obligation	\$ 93,058	\$ -
Accretion expense	2,131	-
	\$ 95,189	\$ -

Habitat for Humanity Sunshine Coast

Notes to the Financial Statements

December 31, 2021

15. Related party transactions

Habitat for Humanity Sunshine Coast is an affiliate of Habitat for Humanity Canada (HFHC). There is an agreement between HFHC and all Canadian affiliates whereby HFHC provides administrative and marketing support, training opportunities and gift in kind coordination. Habitat for Humanity Sunshine Coast makes payments to HFHC for affiliation fees as well as a tithe for international work.

	2021	2020
Revenue - Donations	\$ 793	\$ 25,263
Expenses		
Tithes	\$ 1,500	\$ 3,000
Affiliation fees - ReStore	32,059	28,126
Insurance, licenses and fees	25,241	30,053
Stewardship and organization sustainability initiative	24	758
Caucus fees	-	919
	\$ 58,824	\$ 62,856
Accounts receivable	\$ -	\$ 9,209
Forgivable loan	\$ 104,000	\$ -

- (a) Pursuant to the terms of the loan received from Habitat for Humanity Canada, the Society received a loan of \$104,000 that is forgivable at a rate of \$5,200 per annum commencing December 2022. Loan is forgiven in tranches based on units occupied or repaired and will commence on the 1st anniversary of the last day of each tranche.

During the year, the Society entered into transactions with the following related party:

Strata Plan BCS4293, a corporate entity under common control

The balance of \$762 (2020: \$240) due from related party is unsecured, non-interest bearing with no specific terms of repayment and is included in accounts receivable.

16. Commitments

The Society has one operating leases expiring on December 31, 2025 with annual minimum rent of \$50,000.

17. Remuneration of directors, employees and contractors

During the year, the Society paid no remuneration, inclusive of salaries and benefits, in excess of \$75,000 to any of its employees. No remuneration was paid to any members of the Board of Directors. This disclosure is provided in accordance with the requirements of the Societies Act (BC).

Habitat for Humanity Sunshine Coast

Notes to the Financial Statements

December 31, 2021

18. Financial instruments

Transactions in financial instruments may result in an Society assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

The Society is subject to credit risk in cash, accounts receivable, and mortgages receivable. Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Society reduces its exposure to credit risk by vetting families before sponsoring families and securing all loans with a mortgage on real property and by recording allowance for doubtful accounts when necessary. In the opinion of management, the credit risk exposure to the Society is low and is not material.

COVID-19 had resulted in an increase in credit risk for the Society. If counterparties experience financial difficulty, which may occur as the COVID-19 pandemic continues, this could result in significant financial loss to the Society.

(b) Liquidity risk

The Society is subject to liquidity risk in the accounts payable and accrued liabilities and loans payable of \$586,453 (2020 - \$494,041). Liquidity risk is the risk that the Society cannot repay its obligations when they become due to its creditors. The Society reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. The Society prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations. In the opinion of management, the liquidity risk exposure to the Society is low and is not material.

Uncertain economic conditions caused by the COVID-19 pandemic may impact the Society's ability to collect cash inflows from sales, resulting in renegotiated financing terms, or impact its ability to raise and maintain financing.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises from the Society's holdings of fixed income securities. As interest rates fluctuate, the fair value of these securities will be impacted. The Society has available an operating line of credit which bear interest at the bank's prime rate. As the bank's prime rate fluctuates, the Society is exposed to interest rate risk.

19. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

Habitat for Humanity Sunshine Coast
Schedule 1: Net Contribution from ReStore Operations

For the year ended December 31	2021	2020
Revenue	\$ 802,022	\$ 697,140
Cost of sales (Note 16)	32,605	28,526
Gross margin	769,417	668,614
Expenses		
Advertising	157	-
Bank charges	9,699	8,691
Insurance, licenses and fees	5,301	4,613
Office and sundry	2,531	2,706
Rent and occupancy costs	82,563	103,409
Repairs and maintenance	3,673	1,670
Telephone and internet	3,375	3,378
Travel	3,957	3,025
Vehicle	27,567	26,290
Wages and benefits	202,124	185,532
	340,947	339,314
Net contribution from ReStore operations	\$ 428,470	\$ 329,300

See accompanying notes

Habitat for Humanity Sunshine Coast
Schedule 2: Net Contribution from Recycling Operations

For the year ended December 31	2021	2020
Revenue	\$ 74,927	\$ 31,496
Expenses		
Office and sundry	7,062	2,697
Rent	4,305	1,076
Vehicle	2,918	4,089
Wages and benefits	17,898	1,994
	32,183	9,856
Net contribution from Recycling operations	\$ 42,744	\$ 21,640

See accompanying notes

Habitat for Humanity Sunshine Coast
Schedule 3: Operating Expenses

For the year ended December 31	Operating Fund	Capital Asset Fund	2021	2020
Expenses				
Accounting and legal	\$ 21,555	\$ -	\$ 21,555	\$ 20,530
Accretion expense	-	2,131	2,131	-
Amortization of tangible capital assets	-	20,050	20,050	1,949
Board expenses	546	-	546	886
Conference and meetings	1,731	-	1,731	817
Fundraising	542	-	542	-
Insurance, licenses and fees (Note 15)	28,821	-	28,821	35,272
Interest and bank charges	1,772	-	1,772	2,015
Meals and entertainment	128	-	128	46
Office and administration	55,273	-	55,273	39,697
Rent	5,196	-	5,196	8,325
Salaries and related benefits	110,021	-	110,021	138,851
Tithes (Note 15)	1,500	-	1,500	3,000
	\$ 227,085	\$ 22,181	\$ 249,266	\$ 251,388

See accompanying notes