Financial Statements of

HABITAT FOR HUMANITY SASKATCHEWAN INC.

And Independent Auditors' Report thereon

Year ended December 31, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements for the year ended December 31, 2021 are the responsibility of management and have been reviewed and approved by management. The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and of necessity include some amounts that are based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of donations and other revenue.
- safeguard the assets and properties under Habitat for Humanity Saskatchewan Inc.'s administration.

Habitat for Humanity Saskatchewan Inc., carries out its responsibility for the financial statements through its Board of Directors. The Board of Directors meets with management and KPMG LLP to review financial matters, and to approve the financial statements upon finalization of the audit. KPMG LLP has free access to the Board of Directors.

KPMG LLP provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and procedures, which allow them to report on the fairness of the financial statements prepared by management.

Denis Perrault
Chief Executive Officer
Habitat for Humanity Saskatchewan Inc.

April 30, 2022

HABITAT FOR HUMANITY SASKATCHEWAN INC.

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December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Habitat for Humanity Saskatchewan Inc.

Qualified Opinion

We have audited the financial statements of Habitat for Humanity Saskatchewan Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2021
- the donation and fundraising revenues and deficiency of revenues over expenses reported in the statements of operations for the years ended December 31, 2021
- the net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2021
- the deficiency of revenues over expenses reported in the statements of cash flows for the years ended December 31, 2021

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

KPMG

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Regina, Canada

April 30, 2022

HABITAT FOR HUMANITY SASKATCHEWAN INC.

Statement of Financial Position

December 31, 2021, with comparative information for 2020

		2021		2020 Combined (note 2)
Assets				
Current assets:				
Cash	$	651,323	$	360,358
Accounts receivable		420,745		583,292
Other assets		93,813		86,961
Construction in progress (note 7)		2,171,222		3,746,990
Homes held for sale (note 7, Schedule 1)		3,567,390		7,418,648
Land held for future builds (note 7)		1,753,488		1,755,656
Current portion of mortgages receivable (note 4)		1,077,521		1,068,381
Investments		-		76,537
		9,735,502		15,096,823
Capital assets (note 6)		2,148,555		2,433,068
Mortgages receivable (note 4)		18,248,746		16,373,891
Second mortgages receivable (note 5)		2,226,965		2,306,965
	$	32,359,768	$	36,210,747
Liabilities and Net Assets				
Current liabilities:				
Bank indebtedness (note 10)	$	4,676,947	$	2,837,176
Accounts payable and accrued liabilities (note 12)		715,904		642,140
Amounts held on behalf of tenants		172,486		174,075
Defered revenue and contributions		706,810		1,695,091
Deferred mortgage payments		69,359		347,224
Other current liabilities (note 8)		2,535,420		2,777,257
		8,876,926		8,472,963
Long term debt (note 10)		196,116		1,787,422
Capital lease obligation		-		28,347
Deferred capital contributions (note 9)		1,114,284		1,199,455
Forgivable loans (note 11)		3,481,575		3,664,562
Deferred second mortgage revenue (note 5)		2,226,965		2,306,965
		15,895,866		17,459,714
Net assets:				
Invested in capital assets		936,773		1,092,976
Invested in programs		15,527,129		17,658,057
		16,463,902		18,751,033
	$	32,359,768	$	36,210,747

See accompanying notes to financial statements.

On behalf of the Board:

HABITAT FOR HUMANITY SASKATCHEWAN INC.

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

		2021		2020 Combined (note 2)
Revenue:				
Donation revenue	$	1,042,197	$	1,641,177
Grant revenue		1,228,605		589,058
Build gift in kind donations		3,300		1,589,431
Government assistance		-		170,092
Other income		338,428		247,409
		2,612,530		4,237,167
Sales and cost of sales:				
Home sales		6,277,499		1,878,626
Mortgage discount income		663,223		810,470
Cost of home sales and building operations		(8,008,092)		(2,958,903)
Mortgage discount expense		(1,765,311)		(377,881)
		(2,832,681)		(647,688)
Gross profit		(220,151)		3,589,479
Expenses:				
Restore operations contribution (Schedule 2)		812,231		84,873
Program expenses (Schedule 3)		(563,328)		(446,816)
General and administration expenses (Schedule 4)		(2,315,883)		(2,235,534)
		(2,066,980)		(2,597,477)
(Deficiency) excess of revenue over expenses	$	(2,287,131)	$	992,002

See accompanying notes to financial statements.

HABITAT FOR HUMANITY SASKATCHEWAN INC.

Statement of Changes in Net Assets

Year ended December 31, 2021, with comparative information for 2020

	Invested in capital assets	Invested in programs	2021	2020 Combined (note 2)
Balance, beginning of year	$ 1,092,976	$ 17,658,057	$ 18,751,033	$ 17,759,031
(Deficiency) excess of revenue over expenses	-	(2,287,131)	(2,287,131)	992,002
Amortization of capital assets	(285,733)	285,733	-	-
Amortization of deferred capital contributions	85,081	(85,081)	-	-
Investment in capital assets				
Capital asset additions	14,224	(14,224)	-	-
Capital lease obligation	30,225	(30,225)	-	-
Balance, end of year	$ 936,773	$ 15,527,129	$ 16,463,902	$ 18,751,033

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY SASKATCHEWAN INC.

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

		2021		2020 Combined (note 2)
Cash provided by (used in):				
Operations:				
(Deficiency) excess of revenue over expenses	$	(2,287,131)	$	992,002
Non-cash items:				
Amortization of forgivable loans		(279,976)		(225,305)
Amortization of capital assets		285,733		270,967
Gain on sale of capital assets		(7,718)		(3,417)
Deferred contributions recognized as revenue		(1,116,452)		(280,382)
Deferred non-forgivable second mortgage revenue		(80,002)		102,049
Changes in non-cash working capital:				
Accounts receivable		162,547		(354,205)
Other assets		(6,852)		5,727
Deferred mortgage payments		(277,865)		128,580
Construction in progress		1,575,768		(582,140)
Homes held for sale		3,851,258		(224,783)
Land held for development		2,168		(1,173,474)
Accounts payable and accrued liabilities		73,763		(250,868)
Amounts held on behalf of tenants		(1,589)		13,031
Tenancy deposits		-		(42,740)
		1,893,652		(1,624,958)
Financing:				
Proceeds of bank overdraft		1,839,771		515,890
Repayment of long term debt		(2,394,428)		(526,092)
Proceeds of long-term debt		490,000		530,000
Repayment of capital lease obligation		(43,136)		(40,266)
Increase in deferred capital contributions		43,000		-
Proceeds from forgivable loans		183,066		654,532
		118,273		1,134,064
Investing:				
Purchase of capital assets		(14,224)		(128,618)
Proceeds on disposal of capital assets		20,722		10,329
Purchase of investments		-		(1,838)
Proceeds from disposal of investments		76,537		78,030
(Increases) decreases in mortgages receivable, net		(1,803,995)		376,629
		(1,720,960)		334,532
Increase (decrease) in cash		290,965		(156,362)
Cash, beginning of year		360,358		516,720
Cash, end of year	$	651,323	$	360,358

See accompanying notes to financial statements.

1. Purpose of the organization:

Effective January 1, 2021, the Regina, Saskatoon and Prince Albert chapters of Habitat for Humanity amalgamated to form Habitat for Humanity Saskatchewan Inc. (the "Organization"). The Organization is a housing charity operating in affiliation with Habitat for Humanity Canada and Habitat for Humanity International. The Organization's vision is to see a world where everyone has a safe and decent place to live.

The Organization operates throughout Saskatchewan with a mission to mobilize volunteers and community partners in building affordable housing and promoting home ownership through interest free mortgages as a means to breaking the cycle of poverty. In order to support administrative and fundraising efforts, the Organization also sells donated goods and materials at stores called ReStore.

The Organization is incorporated under the Non-Profit Corporation Act of the Province of Saskatchewan and is a registered charity with the Canada Revenue Agency and is not subject to income taxes.

The Organization's homeownership program is established as follows:

(a) A family who meets the eligibility criteria is granted an interest free mortgage on newly constructed homes, making them a Partner Family;

(b) For repurchased homes, a Partner Family is considered a tenant until they complete the requirements to become a home owner. During this phase, monthly tenancy deposits are paid to the Organization. Tenancy deposits become Partner Family home equity when all requirements for home ownership are fulfilled and a mortgage is established;

(c) A Partner Family's monthly payments to the Organization include amounts for property taxes which are remitted annually through MCAP, a third party billing and collection agency;

Purpose of the organization (continued):

(d) If a Partner Family leaves the program, the Organization holds an option to purchase the home sold to the Partner Family at any time after the date of the mortgage, but before the first day of the 19th year following registration of the title to the land in the name of the owner (the Option). If the Option is exercised at any time during the first six (6) years immediately following registration of title to the land in the name of the Partner Family, then the purchase price shall be an amount equal to all mortgage payments made by the Partner Family under the mortgage, without interest. If the Option is exercised during the seventh (7th) through eighteenth (18th) years following registration of title to the land in the name of the Partner Family, then the purchase price shall be an amount equal to all mortgage payments made by the Partner Family under the mortgage, without interest plus an amount equal to 1/12 per complete year from the seventh (7th) year to the eighteenth (18th) year of the difference between the fair market value of the land and the original amount of the mortgage.

(e) The Organization incurs various Program Costs, which are expensed as incurred, as part of both its programs to support the homeownership mission.

2. Business combination:

The combination of Habitat for Humanity Regina Inc., Habitat for Humanity Saskatoon Inc. and Prince Albert Habitat for Humanity Inc. was treated as a merger under section 4449 – Part III – Accounting Standards for Not-For-Profit Organizations. Therefore as at January 1, 2021 the carrying value of the asset, liabilities and net assets are combined.

Certain adjustments were made to align accounting practices with the objective of having uniform accounting policies. Alignments included using straight-line method of amortization of capital assets and deferring forgivable loans over the term associated with the loan.

3. Significant accounting policies:

(a) Basis of presentation:

These financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

3. Significant accounting policies (continued):

(b) Mortgages receivable:

First and second mortgages are held by the Organization and are interest free to Partner Families.

First mortgages are originally recognized at fair value based on the Organization's borrowing rate in the year of inception. In subsequent years, first mortgages receivable are recognized at amortized cost by means of the recognition of a deemed interest income, calculated using a declining balance method over the life of the mortgage.

Mortgages written prior to May 30, 2018 for Saskatoon properties were set up based on the following: At the time a house was sold, the organization provided a first mortgage to the homeowner, which was determined based on a formula using the cost of construction of the home, less prepayments received in advance of title transfer.

The home was then appraised and the difference between the appraised value and the value of the first mortgage was the value assigned to the second mortgage. Second mortgages are payable by the homeowner to the organization if they sell or move out of the home. There are two types of second mortgages; forgivable mortgages from prior to 2007 for which the payment is contingent upon certain criteria being met by the homeowner, and non-forgivable mortgages.

Any amount subsequently realized will be recognized as revenue in the period in which the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Second mortgages include terms for forgiveness, which are contingent upon the occurrence of certain future events, including the length of occupancy by the Partner Family. Due to the uncertainty of collection, second mortgages are originally recognized at a fair value of zero. If conditions arise that require forgivable portions to be repaid, or the right to forgiveness has been forfeited, the previously forgivable portion will be recognized as revenue.

(c) Homes held for sale:

Homes held for sale are reported at the lower of cost or net realizable value. Net realizable value is determined as market value (appraised value) less any available new home GST rebate. Any excess costs over net realizable value are expensed in the year in which the impairment is identified.

3. Significant accounting policies (continued):

(d) Construction in progress:

Construction in progress comprises land, materials, labour, and other manufacturing costs accumulated to date for homes not yet completed. Construction in progress is valued at the lower of cost or net realizable value and any excess costs over net realizable value are expensed in the year in which the impairment is identified.

(e) Land for future builds:

Land for future builds includes fully serviced lots and raw land purchased for development. Land is valued at the lower of cost or net realizable value and includes lot costs, undeveloped land costs, underground servicing, and rezoning fees.

(f) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight line over the assets' estimated useful lives as follows:

Building	20-25 years
Portable building and fencing	10 years
Leasehold improvements	3-5 years
Office equipment	3-5 years
Warehouse equipment	5-8 years
Construction vehicles and equipment	5 years
Assets under capital lease	5 years

(g) Tenant deposits:

Security deposits and monthly tenancy payments received from Partner Families while in the tenancy phase are offset against the sales price of the home at the time a first mortgage is granted by the Organization.

(h) Net assets invested in programs:

In accordance with the Organization's mission, all net assets not invested in capital assets are invested in program delivery.

3. Significant accounting policies (continued):

(i) Revenue recognition:

The Organization follows the deferral method of accounting for contributions, which include donations and government grants. Restricted contributions are recognized as revenue during the year in which the related expenses are incurred. Forgivable loans are restricted contributions that are recorded as revenue in the year in which the Organization is entitled to recognize them, based on meeting conditions within the associated agreements. Unrestricted contributions and pledges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted capital contributions are deferred and amortized into revenue at the corresponding amortization rate of the related capital assets.

Home sales are recognized at the date of the first mortgage which transfers substantially all the rights and responsibilities of ownership to partner families.

ReStore sales consist entirely of donated merchandise. Revenue is recognized when the merchandise is sold.

(j) Donated goods and services:

Goods donated to ReStore are not recorded as inventory in these financial statements because fair value cannot be reasonably determined.

Other donated goods or services are recorded when fair value can be reasonably estimated.

A substantial number of volunteers make significant contributions of their time to the Organization; the fair value of this contributed time is not quantifiable and thus is not reflected in these financial statements.

3. Significant accounting policies (continued):

(k) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost.

Transaction costs incurred on acquisition and financing costs are amortized using the straight-line method.

Financial assets are assessed for impairment at the end of the fiscal year. Where impairment is identified, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(l) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Actual results could differ from these estimates.

4. Mortgages receivable:

	2021	2020 Combined (note 2)
Gross mortgages receivable	$ 28,026,245	$ 25,102,384
Unamortized mortgage discount	(8,699,978)	(7,660,112)
Present value of mortgages receivable	19,326,267	17,442,272
Less: current portion	1,077,521	1,068,381
Long-term portion	$ 18,248,746	$ 16,373,891

During 2021, 37 (2020 - 10) homes were sold to Partner Families. At December 31, 2021, 180 (2020 -145) first mortgages remain outstanding.

5. Second mortgages:

Second mortgages bear no interest, are secured by a charge on the specific property and are due upon sale of the related property by the partner family. Certain second mortgages are forgivable, provided certain conditions have been met.

Provisions for the payment of the mortgages receivable have been established by an agreement between partner families and the organization to ensure that the partner families do not profit by selling a home shortly after taking residence.

The revenue associated with the second mortgage has been deferred.

	2021	2020 Combined (note 2)
Second mortgage receivables - forgivable	$ 207,750	$ 207,750
Second mortgage receivables - non-forgivable	2,019,215	2,099,215
	$ 2,226,965	$ 2,306,965

6. Capital assets:

			2021	2020 Combined (note 2)
	Cost	Accumulated amortization	Net book value	Net book value
Buildings	$ 4,290,956	$ 2,275,597	$ 2,015,359	$ 2,208,318
Portable building and fencing	25,915	16,769	9,146	11,737
Land	68,850	-	68,850	68,850
Leasehold improvements	98,000	85,749	12,251	31,294
Office equipment	201,361	178,190	23,171	34,010
Warehouse equipment	95,490	92,198	3,292	-
Contruction vehicles and equipment	238,788	233,865	4,923	44,815
Assets under capital leases	178,950	167,387	11,563	34,044
	$ 5,198,310	$ 3,049,755	$ 2,148,555	$ 2,433,068

Total amortization recognized during the year is $285,733 (2020 - $270,967).

7. Home asset inventory:

	2021	2020 Combined (note 2)
Homes held for sale *(Schedule 1)*	18 units	35 units
Construction in progress	10 units	24 units
Land for future builds	19 units	19 units

8. Other current liabilities:

Other liabilities consists of the following:

	2021	2020 Combined (note 2)
Current portion of long term debt	$ 2,071,869	$ 2,384,990
Current portion of capital lease obligation	12,417	27,209
Current portion of deferred capital contributions	85,081	85,081
Current portion of forgivable loan	366,053	279,977
	$ 2,535,420	$ 2,777,257

9. Deferred capital contributions:

Deferred capital contributions represent designated donations and grants for capital purchases that were unamortized at the year-end.

	2021	2020 Combined (note 2)
Balance, beginning of year	$ 1,284,446	$ 1,369,527
Recognized as grant revenue	(85,081)	(85,081)
Balance, end of year	1,199,365	1,284,446
Less: current portion (note 8)	(85,081)	(85,081)
Long-term portion	$ 1,114,284	$ 1,199,365

10. Bank overdraft and debt:

Long-term debt consists of the following:

	2021	2020 Combined (note 2)
Canadian Western Bank demand overdraft, authorized $3,300,000, interest at prime plus 0.75% per annum paid monthly, secured by demand promissory notes and assignment of specific Partner Family mortgages;	$ 2,648,797	$ 2,837,176
Canadian Western Bank term loans bearing interest at prime plus 0.75% per annum, combined monthly payments of $13,930, due March 2022, secured by demand promissory notes and assignment of specific Partner Family mortgages;	2,070,893	1,711,887
Conexus Credit Union demand overdraft, authorized $3,450,000, interest at prime plus 1.0% per annum paid monthly, secured by demand promissory notes and assignment of specific Partner Family mortgages;	2,028,150	-
Carried forward	6,747,840	4,549,063

10. Bank overdraft and debt (continued):

	2021	2020 Combined (note 2)
Carried forward	6,747,840	4,549,063
Royal Bank of Canada prime rate plus 0.8% demand loan, to a maximum of $650,000, due on demand, secured by a general security agreement and a collateral mortgage on land and buildings;	50,000	30,000
Conexus Credit Union, Canada Emergency Business Account, 25% of the loan will be eligible for loan forgiveness, up to $20,000, if the loan is fully repaid on or before 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;	60,000	40,000
Non revolving fixed term loan with Royal Bank, authorized $1,287,996, interest at 3.35 % per annum, monthly payment of $4,667, due September 2021, secured by a first fixed charge over 1740 Broder Street, Regina, SK and a general security agreement covering all property;	-	1,087,330
Royal Bank of Canada prime rate plus 0.8% demand loan, to a maximum of $1,050,000, due on demand, secured by a general security agreement and a collateral mortgage on land and buildings, with a carrying value of $950,730;	-	778,000
Non revolving fixed term loan, authorized $483,000, Royal Bank prime plus 1.25% per annum, monthly payment of $2,462, due August 2021, secured by a first fixed charge over 1740 Broder Street, Regina, SK and a general security agreement covering all property;	-	421,692
Carried forward	6,857,840	6,906,085

10. Bank overdraft and debt (continued):

	2021	2020 Combined (note 2)
Carried forward	6,857,840	6,906,085
CNH Industrial Capital loan bearing interest at 5.45% per annum, repayable in semi-annual payments of $5,770. The loan matures on December 1, 2022 and is secured by a Case SR175 Skid Steer which has a carrying value of $21,731;	-	16,412
	6,857,840	6,922,497
Regina Inner City Family Foundation Inc. advance, non-interest bearing, repayable at $2,468 per year;	100,981	100,981
	6,958,821	7,023,478
Unamortized Regina Inner City Family Foundation Inc. loan discount	(13,890)	(13,890)
	$ 6,944,931	$ 7,009,588

The financing agreement with Conexus Credit Union contains financial covenants in which a minimum debt service ratio of 1.25 is maintained. The Organization was in breach of this covenant at December 31, 2021, however, as the related debt is already classified as a current liability, there is no further impact to the financial statements.

	2021	2020 Combined (note 2)
Bank overdraft	$ 4,676,947	$ 2,837,176
Current portion of debt	2,071,869	2,384,990
Long-term portion of debt	196,115	1,787,422
	$ 6,944,931	$ 7,009,588

HABITAT FOR HUMANITY SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

10. Bank overdraft and debt (continued):

Scheduled principal payments required for the next five years on fixed term loan are due as follows:

2022	$	2,071,869
2023		111,246
2024		1,246
2025		1,246
2026		1,246
Thereafter		81,131
	$	2,267,984

11. Forgivable loans:

The organization has received forgivable loans from Saskatchewan Housing Corporation ("SHC") and Canada Mortgage and Housing Corporation ("CMHC") for the sole purpose of constructing homes for Partner Families. Each SHC forgivable loan bears interest at 0% per annum and is forgivable over 10 years commencing on the first day of the month following the occupancy date of the home for which the loan was provided; the CMHC forgivable loan bears interest at 0% per annum and is forgivable over 20 years. In the event of default, the loans will no longer be forgiven and interest will be calculated on the principal amounts outstanding at rates noted below.

11. Forgivable loans (continued):

		2021		2020 Combined (note 2)
SHC forgivable loan in the amount of $195,000 which is repayable on demand in event of default, plus interest of 5.04% per annum, maturing April 2032;	$	195,000	$	195,000
SHC forgivable loan in the amount of $975,000 which is repayable on demand in event of default, plus interest of 5.34% per annum, maturing October 2032;		962,000		975,000
SHC forgivable loan in the amount of $1,000,000 which is repayable on demand in event of default, plus interest of 5.14% per annum, maturing December 2031;		850,500		928,500
SHC forgivable loan in the amount of $1,000,000 which is repayable on demand in event of default, plus interest of 4.64% per annum, maturing February 2032;		845,000		925,000
SHC forgivable loan in the amount of $1,000,000 which is repayable on demand in event of default, plus interest of 4.74% per annum, maturing December 2030;		627,777		727,777
CMHC forgivable loan in the amount of $382,597 which is repayable on demand in event of default, plus interest of 5.34% per annum, maturing June 2041.		367,351		193,262
		3,847,628		3,944,539
Less: current portion of forgivable loans (note 8)		366,053		279,977
Long-term portion of forgivable loans	$	3,481,575	$	3,664,562

12. Government remittances:

Included in accounts payable at year-end are government remittances of $323,978 (2020 – $108,340).

13. Habitat for Humanity Canada fees:

The Organization remits payments for national programs and initiatives based on the number of builds, ReStore sales and nationally administered gifts in kind. Fees incurred during the year consist of the following:

		2021		2020 Combined (note 2)
ReStore fees	$	23,777	$	99,448
Annual fee		57,479		75,000
Build gift in kind fees		-		20,295
Tithe fees		5,000		11,324
	$	86,256	$	206,067

14. Commitments:

The Organization leases office space in Regina. Rents are fixed and include fixed maintenance costs. Additionally, the Organization has committed to lease the ReStore and the Prince Albert office location until the end of 2022. The total lease payments are as follows:

Minimum annual base lease payments on this property are as follows:

		2021
2022	$	153,150
2023		107,550
2024		107,550
2025		107,550
2026		107,550
Thereafter		367,463
	$	950,813

15. Financial risks:

The Organization is not exposed to significant market, currency or other price risk through its financial instruments.

(a) Credit risk:

The Organization is exposed to credit risk in the event of non-payment of mortgages by Partner Families or from non-collection of accounts receivable. Management believes that the credit risk from non-collection of mortgages is minimal as the carrying value of the mortgages is secured by the value of the underlying homes.

(b) Liquidity risk:

The Organization manages its liquidity risk by monitoring forecasted and actual cash flows and financial liabilities. The Organization also bears liquidity risk with respect to debt arrangments. As at December 31, 2021, the Organization was in breach of a financial covenant on its debt with its lender Conexus Credit Union; refer to Note 10.

(c) Interest rate risk:

The Organization is exposed to fluctuations in interest rates as the banking facilities bear interest at variable rates. The mortgages receivable do not bear interest rate risk given that they are non-interest bearing.

HABITAT FOR HUMANITY SASKATCHEWAN INC.

Schedules to Financial Statements

Year ended December 31, 2021, with comparative information for 2020

Schedule 1: Homes Held for Sale

		2021	2020 Combined (note 2)
Prince Albert	8 Homes (2020 – 7)	$ 1,447,757	$ 1,302,846
Saskatoon	6 Homes (2020 – 18)	1,382,794	4,422,026
Regina	3 Homes (2020 – 5)	604,649	941,039
Duck Lake	1 Homes (2020 – 1)	132,190	132,190
Nipawin	0 Homes (2020 – 2)	-	318,601
Melfort	0 Homes (2020 – 2)	-	301,946
		$ 3,567,390	$ 7,418,648

Schedule 2: ReStore Operations

	2021	2020 Combined (note 2)
Sales	$ 2,299,788	$ 1,840,617
Expenses:		
Salaries and benefits	1,013,839	1,184,024
Other	118,305	106,258
Amortization	109,554	141,162
Facilities	96,435	99,958
Warehouse	69,648	65,973
Vehicle and other	43,078	29,127
Habitat for Humanity Canada fees	23,777	99,448
Advertising and promotion	7,868	23,227
Office	5,053	6,567
	1,487,557	1,755,744
Restore contribution	$ 812,231	$ 84,873

Schedule 3: Program Expense

	2021	2020 Combined (note 2)
Other	$ 252,928	$ 65,254
Salaries and benefits	210,234	199,851
Interest expense	58,137	166,442
Professional fees	37,029	15,269
Habitat for Humanity Canada tithe	5,000	-
Total program expense	$ 563,328	$ 446,816

Schedule 4: General and Administrative Expenses

	2021	2020 Combined (note 2)
Salaries and benefits	$ 641,765	$ 677,915
Other	396,987	520,785
Professional fees	368,511	127,336
Facilities	305,724	248,753
Interest and bank charges	214,478	95,242
Amortization	176,179	127,245
Office	64,541	263,878
Habitat for Humanity Canada fees	60,655	106,619
Advertising and promotion	34,934	23,973
Equipment rental	28,449	22,907
Vehicle and travel	23,660	20,881
	$ 2,315,883	$ 2,235,534