

HABITAT FOR HUMANITY REGINA INC.
Financial Statements
For the Year Ended December 31, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

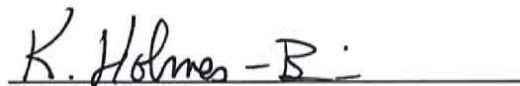
The accompanying financial statements for the year ended December 31, 2019 are the responsibility of management and have been reviewed and approved by senior management. The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and of necessity 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 Regina Inc.'s administration.

Habitat for Humanity Regina 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.



Kelly Holmes-Binns
Chief Executive Officer
Habitat for Humanity Regina Inc.

July 21, 2020



KPMG LLP
Hill Centre Tower II
1881 Scarth Street, 20th Floor
Regina Saskatchewan S4P 4K9
Canada
Telephone (306) 791-1200
Fax (306) 757-4703

INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

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

- the statement of financial position as at December 31, 2019
- 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, comprising a summary of significant accounting policies

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

In our opinion, except for the possible effects of the matter described in the "*Basis for Qualified Opinion*" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 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, 2019 and December 31, 2018
- the donation and fundraising revenues and deficiency of revenues over expenses reported in the statements of operations for the years ended December 31, 2019 and December 31, 2018
- 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, 2019 and December 31, 2018
- the deficiency of revenues over expenses reported in the statements of cash flows for the years ended December 31, 2019 and December 31, 2018.

Our opinion on the financial statements for the year ended December 31, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

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 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 3 to the financial statements ("Note 3"), which explains that certain comparative information presented for the year ended December 31, 2018 has been restated.

Note 3 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2019, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2018. In our opinion, such adjustments are appropriate and have been properly applied.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Annual Report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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.

- 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.

KPMG LLP

Chartered Professional Accountants

Regina, Canada
July 21, 2020

HABITAT FOR HUMANITY REGINA INC.
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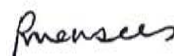
HABITAT FOR HUMANITY REGINA INC.
Statement of Financial Position
December 31, 2019 with comparative information for 2018

	2019	2018 (Restated – note 3)
ASSETS		
Current assets		
Cash	\$ 277,069	\$ 82,713
Accounts receivable	249,904	168,720
Prepaid expenses	33,339	35,020
Mortgages receivable, current portion (Note 4)	589,931	534,490
Homes held for sale (Note 6, Schedule 1)	1,412,182	1,830,092
Construction in progress (Note 6)	1,460,311	1,366,826
Land for future builds (Note 6)	523,111	739,542
	<u>4,545,847</u>	<u>4,757,403</u>
Mortgages receivable (Note 4)	13,232,009	11,991,036
Capital assets (Note 7)	<u>1,502,035</u>	<u>1,616,138</u>
	14,734,044	13,607,174
	<u>\$ 19,279,891</u>	<u>\$ 18,364,577</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Bank overdraft (Note 9)	\$ 2,357,400	\$ 1,593,808
Accounts payable and accrued liabilities (Note 11)	390,196	240,735
Tenancy deposits	42,740	31,780
Deferred capital contributions, current portion (Note 8)	83,433	83,433
Debt, current portion (Note 9)	1,744,922	99,792
Forgivable loans, current portion (Note 10)	185,825	105,556
Capital lease obligation, current portion (Note 12)	32,320	35,582
	<u>4,836,836</u>	<u>2,190,686</u>
Deferred capital contributions (Note 8)	1,251,496	1,334,929
Debt (Note 9)	1,368,945	2,279,480
Forgivable loans (Note 10)	1,976,073	1,511,898
Capital lease obligation (Note 12)	<u>33,820</u>	<u>64,982</u>
	4,630,334	5,191,289
NET ASSETS		
Invested in capital assets	100,966	97,212
Invested in programs	<u>9,711,755</u>	<u>10,885,390</u>
	9,812,721	10,982,602
Commitments (Note 18)		
Subsequent Event (Note 20)		
	<u>\$ 19,279,891</u>	<u>\$ 18,364,577</u>

See accompanying notes to the financial statements.



Chair, Board of Directors



Chair, Audit and
Finance Committee

HABITAT FOR HUMANITY REGINA INC.
Statement of Operations
Year ended December 31, 2019 with comparative information for 2018

	2019	2018 (Restated – note 3)
REVENUE		
Government grants	\$ 513,988	\$ 350,647
In kind donations	96,397	219,046
Other donations and fundraising	610,068	546,907
Other income	129,561	22,883
	<u>1,350,014</u>	<u>1,139,483</u>
SALES AND COST OF SALES		
Home sales	3,056,541	4,931,512
Mortgage discount income (Note 4)	572,836	635,941
Cost of home sales and building operations (Note 4)	(3,500,780)	(4,497,880)
Mortgage discount expense (Note 4)	(1,060,878)	(1,497,226)
	<u>(932,281)</u>	<u>(427,653)</u>
PROGRAM EXPENSES Schedule 3	<u>(465,936)</u>	<u>(291,914)</u>
NET PROGRAM ACTIVITY	(48,203)	419,916
RESTORE OPERATIONS Schedule 2		
Revenue	1,169,711	1,007,958
Expenses	(1,070,864)	(857,476)
	<u>98,847</u>	<u>150,482</u>
GENERAL AND ADMINISTRATIVE Schedule 4	<u>(1,220,525)</u>	<u>(1,062,399)</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>\$ (1,169,881)</u>	<u>\$ (492,001)</u>

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY REGINA INC.
Statement of Changes in Net Assets
Year ended December 31, 2019 with comparative information for 2018

Year ended 2019	Invested in Programs	Invested in Capital Assets	Total
Balance, beginning of year	\$ 10,885,390	\$ 97,212	\$ 10,982,602
Deficiency of revenue over expenses	(1,169,881)	-	(1,169,881)
- Amortization of capital assets	142,200	(142,200)	-
- Amortization of deferred capital contributions	(83,433)	83,433	-
Investment in capital assets			
- Capital asset additions	(28,097)	28,097	-
- Capital lease obligation	(34,424)	34,424	-
Balance, end of year	<u>\$ 9,711,755</u>	<u>\$ 100,966</u>	<u>\$ 9,812,721</u>

Year ended 2018 (Restated – note 3)	Invested in Programs	Invested in Capital Assets	Total
Balance, beginning of year	\$ 11,355,050	\$ 119,553	\$ 11,474,603
Deficiency of revenue over expenses	(492,001)	-	(492,001)
- Amortization of capital assets	151,321	(151,321)	-
- Amortization of deferred capital contributions	(83,433)	83,433	-
Investment in capital assets			
- Capital asset additions	(11,676)	11,676	-
- Capital lease obligation	(33,871)	33,871	-
Balance, end of year	<u>\$ 10,885,390</u>	<u>\$ 97,212</u>	<u>\$ 10,982,602</u>

HABITAT FOR HUMANITY REGINA INC.
Statement of Cash Flows
Year ended December 31, 2019 with comparative information for 2018

	2019	2018 (Restated – note 3)
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Deficiency of revenue over expenses	\$ (1,169,881)	\$ (492,001)
Non-cash items:		
Amortization of forgivable loans	(105,556)	(105,556)
Amortization of capital assets	142,200	151,321
Amortization of deferred capital contributions	(83,433)	(83,433)
	(1,216,670)	(529,669)
Changes in non-cash working capital:		
Accounts receivable	(81,184)	(70,284)
Prepaid expenses	1,680	(5,138)
Homes held for sale	417,910	959,324
Construction in progress	(93,484)	662,318
Land for future builds	216,431	(67)
Accounts payable and accrued liabilities	149,461	(28,757)
Tenancy deposits	10,960	31,780
	621,774	1,549,176
	(594,896)	1,019,507
INVESTMENTS:		
Advances of mortgages receivable	(1,296,414)	(2,757,916)
Purchase of capital assets	(28,097)	(11,676)
	(1,324,511)	(2,769,592)
FINANCING:		
Proceeds of bank overdraft	763,592	411,952
Proceeds from debt	840,000	700,000
Proceeds from forgivable loans	650,000	675,000
Repayments of debt principal	(105,405)	(144,709)
Repayments of capital lease obligations	(34,424)	(33,871)
	2,113,763	1,608,372
Increase (decrease) in cash	194,356	(141,713)
Cash, beginning of year	82,713	224,426
Cash, end of year	\$ 277,069	\$ 82,713

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY REGINA INC.

Notes to Financial Statements

Year ended December 31, 2019

1. PURPOSE OF THE ORGANIZATION

Habitat for Humanity Regina Inc. (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 southern 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;
- 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 cumulative payments made by a Partner Family either in tenancy or in mortgage are considered to be part of the Fund for Humanity. These funds, less any amounts used to repay Partner Family equity on repurchased homes are reinvested in the program to build or renovate homes.
- f) The Organization incurs various Program Costs, which are expensed as incurred, as part of both its programs to support the homeownership mission as follows:
 - i. Volunteers are mobilized in all facets of the organization including the building of homes, the operation of the ReStores, the Partner Family selection process and other ancillary tasks such as administration;

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2019

1. PURPOSE OF THE ORGANIZATION (continued)

- ii. In rural communities, committees are formed to facilitate the family selection process, the day-to-day build activities and local fundraising;
- iii. As the primary mission is to serve families, the Organization operates a Family Services department which supports Partner Families from selection through the duration of the mortgages. This department is responsible for numerous family related services such as family selection, homeownership training (covering budgeting, home maintenance and other related aspects of homeownership) and collection of payments to the Fund for Humanity;
- iv. A yearly voluntary payment is allocated through Habitat for Humanity Canada (HfHC) as a tithe to build homes elsewhere in the world.
- v. The use of debt to help fund the construction of new homes is one of the four funding sources (which also include government funding, business/individual donations and the Fund for Humanity).

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The 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.

b) Controlled Entities

There is one condominium corporation controlled by the Organization that is not consolidated into these statements (note 15).

c) Cash

Cash consists of cash on hand and short-term investments in a high yield account with the RBC Bank.

d) Mortgages Receivable

First and second mortgages (second mortgages exist on 2 homes sold in 2005) 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.

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.

HABITAT FOR HUMANITY REGINA INC.

Notes to Financial Statements

Year ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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.

f) 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.

g) 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.

h) 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 basis over the assets' estimated useful lives as follows:

Building	25 years
Construction vehicles and equipment	5 years
Warehouse equipment	5-8 years
Office equipment	3-5 years
Assets under capital lease	5 years

i) Deferred Capital Contributions

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets or donated capital assets. Recognition of these amounts as revenue is deferred to the period when the related capital assets are amortized.

j) 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.

k) 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.

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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. 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.

m) 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.

n) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market, are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which 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.

o) Use of Estimates

The preparation of these 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.

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Adoption of New and Amended Accounting Standards

Effective January 1, 2019, the Organization adopted Section 4433, *Tangible capital Assets Held by Not-for Profit Organizations*. The standard requires significant components of an asset be recognized separately and amortized the components' estimated useful lives. The adoption of this standard did not have a significant impact on the Organization's financial statements.

3. PRIOR PERIOD ADJUSTMENT:

In July of 2016 and in subsequent periods, the Organization entered into contracts with Saskatchewan Housing Corporation that were in the form of forgivable loans. The new agreements met the definition of debt for accounting purposes and funding received should have been presented as debt (in the form of a forgivable loan). The funding had previously been incorrectly recorded as government grant revenue in the year received. In addition, in the prior year there was a portion of overhead in the amount of \$244,000 that was not allocated to the cost of homes that had been sold. Management had restated the comparative information to correct these errors.

Impact on statement of financial position as at December 31, 2018	As previously reported:	Adjustment	As restated:
Construction in progress	\$ 1,610,826	\$ (244,000)	\$ 1,366,826
Forgivable loan- current portion	-	105,556	105,556
Forgivable loan	-	1,511,898	1,511,898
Invested in programs	12,746,844	(1,861,454)	10,885,390

Impact on the statement of operations for the year ended December 31, 2018	As previously reported:	Adjustment	As restated:
Government grants	\$ 920,091	\$ (569,444)	\$ 350,647
Costs of home sales and building operations	(4,179,001)	(318,879)	(4,497,880)
Program expenses	(366,793)	74,879	(291,914)
(Deficiency) excess of revenue over expenses	321,443	(813,444)	(492,001)

Impact on the statement of changes in net assets for the year ended December 31, 2018	As previously reported:	Adjustment	As restated:
Balance, beginning of year	\$ 12,522,612	\$ (1,048,009)	\$ 11,474,603
Excess of revenue of expenses	321,443	(813,444)	(492,001)
Balance, end of year	12,844,056	(1,861,454)	10,982,602

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2019

3. PRIOR PERIOD ADJUSTMENT (continued)

Impact on the statement of cash flows for the year ended December 31, 2018	As previously reported:	Adjustment	As restated:
Excess (deficiency) of revenue over expenses	\$ 321,443	\$ (813,444)	\$ (492,001)
Non-cash items: Amortization of forgivable loan	-	(105,556)	(105,556)
Changes in non-cash working capital:			
Construction in progress	418,318	244,000	662,318
Proceeds from forgivable loans	-	675,000	675,000

4. MORTGAGES RECEIVABLE

	2019	2018
Gross mortgages receivable	\$ 20,167,231	\$ 18,437,141
Unamortized mortgage discount	(6,345,291)	(5,911,615)
Present value of mortgages receivable	13,821,940	12,525,526
Less: current portion	(589,931)	(534,490)
Long-term portion	<u>\$ 13,232,009</u>	<u>\$ 11,991,036</u>

During 2019, 15 (2018 - 22) homes were sold to Partner Families. At December 31, 2019, 105 (2018 - 93) first mortgages remain outstanding.

5. SECOND MORTGAGES

Two second mortgages signed relate to properties sold by the Organization in 2005. Repayments of second mortgages, based on the resale of the home, are governed by the following terms: within the first 12 years of issuance, full repayment is required; from 12 years to 20 years a predetermined discounted repayment is required; and after 20 years the mortgage is fully forgiven.

At December 31, 2019, these mortgages totaled \$33,500 (2018 - \$33,500). These balances are reflected at a fair value of \$0 (2018 - \$0).

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2019

6. HOME ASSET INVENTORY

	2019	2018
Homes held for sale <i>Schedule 1</i>	7 units	8 units
Construction in progress	12 units	13 units
Land for future builds	7 units	18 units

7. CAPITAL ASSETS

			Net Book Value	
	Cost	Accumulated Amortization	2019	2018
Building	\$ 2,156,880	\$ 775,471	\$ 1,381,409	\$ 1,467,684
Assets under capital lease	178,955	108,465	70,490	106,281
Leasehold Improvements	4,993	222	4,771	-
Office equipment	144,310	104,318	39,992	29,129
Warehouse equipment	94,549	94,549	-	742
Construction vehicles and equipment	105,518	100,145	5,373	12,302
	<u>\$ 2,685,205</u>	<u>\$ 1,183,170</u>	<u>\$ 1,502,035</u>	<u>\$ 1,616,138</u>

Total amortization recognized during the year is \$142,200 (2018 - \$151,321).

8. DEFERRED CAPITAL CONTRIBUTIONS

	2019	2018
Balance, beginning of year	\$ 1,418,362	\$ 1,501,795
Recognized as revenue	<u>(83,433)</u>	<u>(83,433)</u>
Balance, end of year	1,334,929	1,418,362
Less: Current portion	<u>(83,433)</u>	<u>(83,433)</u>
Long-term portion	<u>\$ 1,251,496</u>	<u>\$ 1,334,929</u>

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2019

9. BANK OVERDRAFT AND DEBT

Bank overdraft and debt consists of the following:

	2019	2018
Canadian Western Bank demand overdraft, authorized \$2,800,000, interest at prime plus 0.75% per annum paid monthly, secured by demand promissory notes and assignment of specific Partner Family mortgages	\$ 2,357,400	\$ 1,593,808
Non revolving fixed term loan with Royal Bank, authorized \$1,287,996, interest at 3.15 % per annum, monthly payment of \$4,667, due August 2020, secured by a first fixed charge over 1740 Broder Street, Regina, Saskatchewan and a general security agreement covering all property	1,101,330	1,157,330
Non revolving fixed term loan with Royal Bank, authorized \$483,000, interest at 3.15% per annum, monthly payment of \$2,462, due September 2020, secured by a first fixed charge over 1740 Broder Street, Regina, Saskatchewan and a general security agreement covering all property	431,797	447,472
Canadian Western Bank term loan bearing interest at prime plus 0.75% per annum, monthly payment of \$1,848, due February 2023, secured by demand promissory notes and assignment of specific Partner Family mortgages	283,550	291,927
Canadian Western Bank term loan bearing interest at prime plus 0.75% per annum, monthly payment of \$1,288, due August 2024, secured by demand promissory notes and assignment of specific Partner Family mortgages	198,031	-
Canadian Western Bank term loan bearing interest at prime plus 0.75% per annum, monthly payment of \$1,284, due February 2024, secured by demand promissory notes and assignment of specific Partner Family mortgages	195,054	-
Royal Bank demand overdraft, authorized \$200,000, interest at prime plus 0.75% per annum paid monthly, secured by 1740 Broder Street	165,000	-
Canadian Western Bank term loan bearing interest at prime plus 0.75% per annum, monthly payment of \$966, due December 2024, secured by demand promissory notes and assignment of specific Partner Family mortgages	150,000	-
Canadian Western Bank term loan bearing interest at prime plus 0.75% per annum, monthly payment of \$942, due August 2023, secured by demand promissory notes and assignment of specific Partner Family mortgages	143,764	148,073

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2019

9. BANK OVERDRAFT AND DEBT (continued)

Bank overdraft and debt consists of the following:

	2019	2018
Canadian Western Bank term loan bearing interest at prime plus 0.75% per annum, monthly payment of \$804, due May 2023, secured by demand promissory notes and assignment of specific Partner Family mortgages	122,839	-
Canadian Western Bank term loan bearing interest at prime plus 0.75% per annum, monthly payment of \$786, due August 2023, secured by demand promissory notes and assignment of specific Partner Family mortgages	120,119	123,706
Canadian Western Bank term loan bearing interest at prime plus 0.75% per annum, monthly payment of \$771, due May 2023, secured by demand promissory notes and assignment of specific Partner Family mortgages	119,369	122,813
RICFF advance, non-interest bearing, repayable at \$2,468 per year	83,014	87,951
	<u>\$ 5,471,267</u>	<u>\$ 3,973,080</u>

Represented by:

Bank overdraft	\$ 2,357,400	\$ 1,593,808
Current portion of debt	211,795	99,792
Current portion of debt subject to refinancing	1,533,127	-
Long-term portion of debt	<u>1,368,945</u>	<u>2,279,480</u>
	<u>\$ 5,471,267</u>	<u>\$ 3,973,080</u>

The financing agreement with Canadian Western Bank contains restrictions on the debt to tangible net worth ratio. Due to the addition of forgivable loans in the current year as a result of a prior period adjustment (see note 3), the Organization was not in compliance with this ratio at December 31, 2019. Subsequent to December 31, 2019, the covenant requirements with Canadian Western Bank were amended on an exception basis, modifying the inputs to the calculation of debt within the ratio, and the Organization is in compliance with the amended covenants as of the date of these financial statements. The related debt has been classified as a long-term liability according to its terms.

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2019

9. BANK OVERDRAFT AND DEBT (continued)

The funds available under the Canadian Western Bank and Royal Bank revolving credit facility are reduced by any outstanding letters of credit issued pursuant to this facility agreement. At December 31, 2019, the Organization had outstanding letters of credit with the Canadian Western Bank, totaling \$430,380 (2018 - \$430,380) and with the Royal Bank of Canada, totaling \$165,000 (2018 - \$0).

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

2020	\$	1,744,922
2021		49,065
2022		51,292
2023		53,597
2024		55,981
Thereafter		1,159,010
	\$	<u>3,113,867</u>

10. FORGIVABLE LOANS:

The Organization has received forgivable loans from Saskatchewan Housing Corporation ("SHC") for the sole purpose of constructing home ownership units for Partner Families. Each 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. In the event of default, the loan will no longer be forgiven and interest will be calculated on the principal amounts outstanding at rates noted below.

	2019	2018 (Restated – note 3)
SHC forgivable loan in the amount of \$650,000 which is repayable on demand in event of default, plus interest of 5.34% per annum	\$ 650,000	\$ -
SHC forgivable loan in the amount of \$675,000 which is repayable on demand in event of default, plus interest of 5.14% per annum, maturing January 2030	675,000	675,000
SHC forgivable loan in the amount of \$500,000 which is repayable on demand in event of default, plus interest of 4.64% per annum, maturing January 2029	397,083	447,084
SHC forgivable loan in the amount of \$555,556 which is repayable on demand in event of default, plus interest of 4.74% per annum, maturing January 2027	439,815	495,370
	<u>2,161,898</u>	<u>1,617,454</u>
Less: current portion of forgivable loans	<u>(185,825)</u>	<u>(105,556)</u>
Long-term portion of forgivable loans	<u>\$ 1,976,073</u>	<u>\$ 1,511,898</u>

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2019

11. GOVERNMENT REMITTANCES

Included in accounts payable at year-end are government remittance payable of \$19,002 (2018 – receivable of \$12,767).

12. CAPITAL LEASE OBLIGATIONS

Amounts outstanding on third-party capital leases are as follows:

	2019	2018
Capital lease, authorized \$81,500, 1.22% interest, maturing in March 2021, secured by the vehicle	\$ 20,858	\$ 37,255
Capital lease, authorized \$81,500, 1.50% interest, maturing in September 2022, secured by the vehicle	44,797	60,719
Capital lease, authorized \$5,955, 3.70% interest, maturing in January 2020, secured by the photocopier	485	2,590
	66,140	100,564
Less: current portion of capital lease obligations	(32,320)	(35,582)
Long-term portion of capital lease obligations	\$ 33,820	\$ 64,982

Scheduled principal payments required for the next five years on the capital lease obligations are due as follows:

2020	\$ 32,320
2021	22,495
2022	12,495
2023	-
2024	-
Total minimum lease payments	67,310
Amount representing interest	(1,170)
Balance of the obligation	\$ 66,140

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2019

13. RIGHT OF FIRST REFUSAL

During 2019, 3 homes (2018 - 4) were repurchased from Partner Families. The home equity repayment from 2019 was \$48,138 (2018 - \$54,412).

14. 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:

	2019	2018
ReStore fees	\$ 53,048	\$ 57,179
Annual fee	50,000	51,278
Build gift in kind fees	49,793	11,970
Tithe fees	15,000	11,000
	<u>\$ 167,841</u>	<u>\$ 131,427</u>

Construction related gift in kind fees are included in the cost of the builds and thus are not reflected in the Statement of Operations.

15. CONTROLLED ENTITIES

The revenue and expenses of the condominium corporation controlled by the Organization are collected and paid respectively by the Organization and reimbursed by the condominium corporation. If the condominium corporation does not have sufficient cash to reimburse the Organization, the balance remains until sufficient funds exist.

Required maintenance work performed by the Organization's construction employees is recorded at cost.

At December 31, 2019, the Organization's accounts receivables include \$0 due from the condominium corporation (2018 – receivable of \$0).

The financial summary of this unconsolidated entity as at December 31, 2019 and 2018 and for the years then ended is as follows:

	2019	2018
Financial Position		
Total assets	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	\$ 19,101	\$ (1,620)
Total net assets	<u>(19,101)</u>	<u>1,620</u>
	<u>\$ -</u>	<u>\$ -</u>

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2019

15. CONTROLLED ENTITIES (continued)

Results from Operations	2019	2018
Total revenue	\$ 58,950	\$ 42,750
Total expenses	(78,051)	(44,370)
Excess of revenue over expenses	\$ (19,101)	\$ (1,620)
Cash Flows		
Cash from operations	\$ -	\$ -
Cash used in financing and investing activities	-	-
(Decrease) Increase in cash	\$ -	\$ -

16. FUND FOR HUMANITY

The Fund for Humanity represents funds collected from Partner Families through mortgage payments and tenancy prepayments. These funds are reinvested in building or acquiring additional homes. The following amounts were paid into the Fund for Humanity during the year:

	2019	2018
Mortgage and tenancy payments received	\$ 688,426	\$ 588,670

17. FINANCIAL RISK

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

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. Further, the credit risk arising from non-payment of accounts receivable balances is minimal as the amounts are due primarily from government bodies.

The Organization is exposed to real estate fluctuation risks on repurchased homes. The repurchase price is based on the fair market value at the time of the original Partner Family's move in date, while the subsequent sales price to the new Partner Family is based on the current market value.

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Organization manages liquidity risk to ensure that it will have sufficient cash flows to fund its operations and to meet its obligations when due, under both normal and stressed conditions. This is achieved by continually monitoring forecasted and actual cash flows and financial liabilities.

HABITAT FOR HUMANITY REGINA INC.
Notes to Financial Statements
Year ended December 31, 2019

17. FINANCIAL RISK (continued)

Liquidity Risk (continued)

The Organization also bears liquidity risk with respect to debt arrangements. The Organizations' lenders (RBC and CWB) have indicated that there is no intention to call for repayment of the debt in the next year. However, should the debt be called for repayment in the future, such an event would significantly increase liquidity risk within the Organization. As at December 31, 2019, the Organization was in breach of a financial covenant on its long-term debt with its lender, CWB (refer to Note 9).

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.

18. COMMITMENTS

In May 2019 an office space lease was signed for 101-1445 Park Street to move the Administration Offices from the Park Street location. The entity signed a ten year lease from 2019-2029. Rents are fixed and include fixed maintenance costs.

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

2020	\$	106,116
2021		106,116
2022		106,116
2023		106,116
2024		106,116
Thereafter		468,679
	\$	<u>999,259</u>

19. COMPARATIVE FIGURES

Certain comparative information has been reclassified to conform to the current year's presentation.

20. SUBSEQUENT EVENT

Subsequent to year-end, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Saskatchewan governments, enacting emergency measures to combat the spread of the virus. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Organization's operating results and financial position in the future. The Organization has responded by taking advantage of government programs such as deferrals in loan payments coming due, applying for federal wage subsidies and temporarily terminating staff to preserve cash resources. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on our business is not known at this time.

HABITAT FOR HUMANITY REGINA INC.
Year ended December 31, 2019

SCHEDULE 1: Homes Held for Sale

		2019	2018
Regina	6 Homes (2018 – 7)	\$ 1,279,682	\$ 1,675,704
Estevan	0 Homes (2018 – 0)	-	-
Moose Jaw	1 Home (2018 – 1)	132,500	154,388
Fort Qu'Appelle	0 Homes (2018 – 0)	-	-
		<u>\$ 1,412,182</u>	<u>\$ 1,830,092</u>

SCHEDULE 2: ReStore Operations

	2019	2018
REVENUE		
Sales	<u>\$ 1,169,711</u>	<u>\$1,007,958</u>
EXPENSES		
Salaries and benefits	498,881	428,312
Warehouse and other costs of goods sold	161,982	89,494
Facilities	112,459	76,975
Amortization	78,769	47,622
Advertising and promotion	65,753	56,476
Habitat for Humanity Canada fees	53,048	57,179
Vehicle	45,559	52,928
Office	43,051	26,696
Other	11,362	21,794
	<u>1,070,864</u>	<u>857,476</u>
RESTORE CONTRIBUTION	<u>\$ 98,847</u>	<u>\$ 150,482</u>
GROSS MARGIN	<u>8%</u>	<u>15%</u>

HABITAT FOR HUMANITY REGINA INC.
Year ended December 31, 2019

SCHEDULE 3: Program Expenses

	2019	2018 (Restated – note 3)
PROGRAM EXPENSES		
Salaries and benefits	\$ 191,507	\$ 140,363
Interest expense	195,860	102,347
Other	63,569	38,204
Habitat for Humanity Canada tithe	15,000	11,000
TOTAL PROGRAM EXPENSE	\$ 465,936	\$ 291,914

SCHEDULE 4: General and Administrative Expenses

	2019	2018
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	\$ 692,134	\$ 547,536
Office	112,185	139,071
Facilities	111,997	52,412
Habitat for Humanity Canada fees	99,793	53,278
Professional fees	78,663	75,629
Amortization	59,626	100,558
Advertising and promotion	36,375	69,280
Travel	15,852	15,061
Other	13,900	9,574
	\$ 1,220,525	\$ 1,062,399

Total 2019 costs of fundraising \$282,309 (2018 - \$233,573) are included in the General and Administrative Expenses which equates to 15% (2018 – 14%) of government grants, in kind donations, other donations and fundraising, and other income.