WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

April 2, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of
Winnipeg Habitat for Humanity Inc.:

Opinion
We have audited the non-consolidated financial statements of Winnipeg Habitat For Humanity Inc. (the Company), which comprise the non-consolidated statement of financial position as at December 31, 2019, and the non-consolidated statement of operations, non-consolidated statement of changes in net assets and non-consolidated statement of cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at December 31, 2019, and its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Scarrow & Donald LLP

Chartered Professional Accountants
Winnipeg, Canada

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

		2019		2018
ASSETS				
Current assets:				
Cash and deposits	$	723,115	$	1,335,055
Accounts receivable		407,452		263,506
Inventory		3,776		5,165
Refundable deposits and prepaid expenses		331,551		443,596
Construction in progress		1,684,493		2,248,663
Scheduled repayments of mortgages receivable (Note 3)		1,801,644		1,839,929
Current assets before mortgages receivable		4,952,031		6,135,914
Mortgages receivable (Note 3)		41,567,400		37,853,798
Total current assets		46,519,431		43,989,712
Residential property		3,399,462		3,439,592
Property and equipment (Note 4)		846,340		779,928
Investment in subsidiaries (Note 5)		33,364		31,150
	$	50,798,597	$	48,240,382
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities	$	929,227	$	908,750
Government remittances payable		39,723		58,728
Escrow accounts		320,900		290,500
Deferred contributions (Note 6)		108,130		120,278
Scheduled repayments of debt (Note 7)		572,537		971,790
Current liabilities before callable debt		1,970,517		2,350,046
Callable debt (Note 7)		9,765,589		7,278,728
Total current liabilities		11,736,106		9,628,774
Net assets:				
Invested in property and equipment		513,616		414,080
Internally restricted chapter funds		230,847		591,701
Unrestricted		38,318,028		37,605,827
		39,062,491		38,611,608
	$	50,798,597	$	48,240,382

APPROVED BY THE BOARD:

________________________**Director** ________________________**Director**

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended December 31	
	2019	**2018**
Revenue:		
Donations-		
Cash contributions and grants	$ 2,423,637	$ 3,835,799
Construction materials	161,523	121,417
Habitat ReStore	2,292,494	2,294,326
Habitat Handyman	280,453	466,564
Interest income	26,044	27,119
Special events (Note 9)	738,873	696,793
Carter Work Project contribution	-	48,275
Miscellaneous	24,239	125,575
Sale of residential properties to Habitat families	6,123,796	5,596,046
	12,071,059	13,211,914
Expenses:		
Administrative expenses (Schedule A)	1,969,948	2,215,416
Habitat ReStore expenses (Schedule B)	1,720,051	1,536,857
Habitat Handyman expenses (Schedule C)	204,304	615,000
Cost of residential properties sold to Habitat families (Note 10)	6,768,045	6,802,046
Habitat for Humanity Canada affiliation fees	115,543	74,148
Repairs and maintenance and home warranty	10,215	33,357
Special events (Note 9)	245,353	176,450
Interest on long-term debt	428,251	282,268
	11,461,710	11,735,542
Excess of revenue over expenses before the following:	609,349	1,476,372
Equity gain from subsidiaries (Note 5)	1,868	5,327
Gain on sale of residential properties	(14,719)	-
Amortization of discount on interest-free long-term debt	(5,457)	(12,743)
Net change in fair value discount on mortgages receivable (Note 3)	(140,158)	(268,159)
	(158,466)	(275,575)
Excess of revenue over expenses	$ 450,883	$ 1,200,797

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Net assets invested in property and equipment	Internally restricted chapter funds	Unrestricted	Year ended December 31 2019	2018
Net assets, beginning of year	$ 414,080	$ 591,701	$ 37,605,827	$ 38,611,608	$ 37,410,811
Excess (deficiency) of revenue over expenses	(176,327)	-	627,210	450,883	1,200,797
Internal transfer of chapter funds	-	(360,893)	360,893	-	-
Dryden fund contribution	-	39	(39)	-	-
Net additions to property and equipment, net of change in related debt	275,863	-	(275,863)	-	-
Net assets, end of year	$ 513,616	$ 230,847	$ 38,318,028	$ 39,062,491	$ 38,611,608

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31	
	2019	2018
Cash flow from operating activities:		
Excess of revenue over expenses	$ 450,883	$ 1,200,797
Adjustments for:		
Amortization	176,327	180,406
Donated residential properties	(85,652)	(279,284)
Net change in fair value discount on mortgages receivable	140,158	268,159
Amortization of discount on interest-free debt	5,457	12,743
Loss on sale of residential properties to Habitat families	644,249	1,206,000
Equity gain from subsidiaries	(1,868)	(5,327)
	1,329,554	2,583,494
Changes in the following:		
Accounts receivable	(143,946)	258,228
Government remittances recoverable/payable	(19,005)	42,430
Inventory	1,389	61,710
Refundable deposits and prepaid expenses	112,045	(124,591)
Accounts payable and accrued liabilities	20,477	(341,343)
Escrow accounts	30,400	30,000
Deferred contributions	(12,148)	72,103
	1,318,766	2,582,031
Cash flow from financing activities:		
Proceeds on long-term debt	3,893,875	2,463,810
Repayment of long-term debt	(1,811,724)	(432,416)
	2,082,151	2,031,394
Cash flow from investing activities:		
Mortgage receivable payments received	2,308,321	1,779,059
Acquisition and construction of residential property	(6,078,093)	(7,147,353)
Purchase of property and equipment	(242,739)	(51,548)
Change in advances	(346)	(334)
	(4,012,857)	(5,420,176)
Change in cash	(611,940)	(806,751)
Cash, beginning of year	1,335,055	2,141,806
Cash, end of year	$ 723,115	$ 1,335,055

1. Nature of operations:

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

During the year, the Organization started 18 (2018 – 24) homes and finished 6 (2018 – 9) of these. In addition, the Organization finished 18 (2018 – 13) homes started in the prior years.

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

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

2. Significant accounting policies:

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

a) Critical accounting estimates and judgments-

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

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

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

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

b) Cash and deposits

Cash and deposits consist of balances held at financial institutions.

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

c) Inventory-

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

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

d) Construction in progress-

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

e) Property and equipment-

Property and equipment are stated at cost less accumulated amortization. Contributed property and equipment are recorded at fair value at the date of contribution. This requires estimation of the useful life of the asset and residual value. When property and equipment no longer has any long-term service potential, the excess of its net carrying amount over any residual value is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Property and equipment are amortized on the basis of their useful life using the following rates and methods:

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

f) Revenue recognition-

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

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

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

Interest income is recognized on a time proportion basis.

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

g) Contributions-

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

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

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

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

h) Residential property-

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

i) Investments – subsidiaries-

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

j) Internally restricted Chapter funds -

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

During the year the Dryden Chapter was established October 4, 2019.

k) Tithe -

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

2. Significant accounting policies (continued):

l) Financial instruments-

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

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

The Organization measures cash and deposits, accounts receivable, refundable deposits, mortgages receivable, accounts payable and accrued liabilities, escrow accounts and callable debt at amortized cost.

3. Mortgages receivable:

The Organization holds first mortgages on 240 (2018 – 228) residential properties. The mortgages are for one year and renewable at the Organization's discretion. The Organization has the right to extend the term of the mortgage with the homeowner at the same terms, different terms or demand repayment on renewal. These mortgages are non-interest bearing and are repayable in variable monthly installments based on the mortgagees' income which is reviewed on an annual basis.

			Amortized cost	
	Face value	Discount	2019	2018
Mortgages receivable	$ 45,160,607	$ (1,791,563)	$ 43,369,044	$ 39,693,727
Less: scheduled repayments of mortgages receivable			1,801,644	1,839,929
			$ 41,567,400	$ 37,853,798

The fair value of these mortgages receivable is based on discounting the mortgages with an effective rate of 4.25% (2018 – 4.29%) and a term of one year (2018 – one year).

	2019	2018
Fair value discount on new and renewed mortgages in the year	$ (1,892,635)	$ (1,883,421)
Amortization of fair value discount in the year	1,752,477	1,615,262
Net change in fair value discount on mortgages receivable	$ (140,158)	$ (268,159)

4. Property and equipment:

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 247,351	$ -	$ 247,351	$ -
Buildings	1,937,422	1,665,745	1,901,994	1,571,191
Furniture, fixtures and computer equipment	838,231	597,408	679,271	573,581
Equipment	106,617	100,280	99,598	99,598
Automotive	337,371	311,985	337,371	259,653
Telephone equipment	53,006	38,540	53,006	34,640
Leasehold improvements	41,333	1,033	-	-
	$ 3,561,331	$ 2,714,991	$ 3,318,591	$ 2,538,663
Net book value	$ 846,340		$ 779,928	

Amortization expense for the year ended December 31, 2019 is $176,327 (2018 - $163,524). Of this amount $27,188 (2018 - $24,166) is included in cost of transferred residential properties.

5. Investment in subsidiaries:

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

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

	2019	2018
Advances to subsidiary, non-interest bearing, no set terms of repayment	$ 50	$ 50
Balance, beginning of year	27,292	21,333
Net income	2,513	5,959
Balance, end of year	29,805	27,292
	$ 29,855	$ 27,342

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

Summary financial information of the subsidiary is as follows:

	2019	2018
Financial position		
Total assets	$ 78,540	$ 72,889
Total liabilities	$ 48,735	$ 45,597
Total shareholder's equity	29,805	27,292
	$ 78,540	$ 72,889
Results of operations		
Total revenues	$ 58,170	$ 54,551
Total expenses	55,657	48,592
Net income	$ 2,513	$ 5,959
Cash flow (used in) from		
Operating activities	$ (586)	$ (8,698)
Change in cash	$ (586)	$ (8,698)

During the year, the Organization earned commissions from the subsidiary in the amount of $23,252 (2018 - $25,840). In addition, included in accounts payable of the Organization is an amount of $69,985 (2018 - $64,088) owing to the subsidiary. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

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

	2019	2018
Advances to subsidiary, non-interest bearing, no set terms of repayment	$ 21,172	$ 20,826
Investment in subsidiary		
Balance, beginning of year	(17,018)	(16,386)
Net loss	(645)	(632)
Balance, end of year	(17,663)	(17,018)
	$ 3,509	$ 3,808

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

Summary financial information of the subsidiary are as follows:

	2019	2018
Financial position		
Total assets	$ 3,509	$ 3,808
Total liabilities	21,172	20,826
Total shareholder's equity	(17,663)	(17,018)
	$ 3,509	$ 3,808
Results of operations		
Total expenses	$ (645)	$ (632)
Net loss	$ (645)	$ (632)
Cash flow (used in) from		
Operating activities	$ (645)	$ (632)
Financing activities	346	334
Change in cash	$ (299)	$ (298)

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

6. Deferred contributions:

	2019	2018
Beginning balance	$ 120,278	$ 48,175
Add: Contributions received during the year	108,130	120,278
	228,408	168,453
Less: Amounts amortized to revenue	120,278	48,175
Ending balance	$ 108,130	$ 120,278

Contributions received are for activities in the following year.

7. Callable debt:

	2019	2018
Demand mortgage payable - interest at a fixed rate of 4.5% (2018 - 4.5%), monthly principal and interest payments of $11,776 (2018 - 11,776)	$ 975,722	$ 1,071,323
Demand mortgage payable - interest at the financial institution's standard rate plus 1% (2018 - 1%), monthly principal and interest payments ranging from $365 to $580 (2018 - $200 to $4,705), secured by a registered multi-purpose mortgages creating a first charge on specified residential properties	127,338	869,848
Demand mortgage payable - face value of $103,507 (2018 - $120,892) non-interest bearing, monthly principal payments of $250 (2018 - $250 - $335), recorded at amortized cost using discount rates ranging from 5.4% to 6.5% (2018 - 4.9% to 6.5%)	84,118	96,048
Demand revolving term loan payable - interest at the financial institution's standard rate plus 1% (2018 - 1%), interest payments only	50,000	100,000
Demand mortgage payable - interest at a fixed rate of 3.65% (2018 - 3.65%), monthly principal and interest payments of $19,235 (2018 - $19,235)	1,732,688	1,897,492
Demand mortgage payable - interest at the financial institution's standard rate plus 1%, interest payments only, monthly principal and interest payments commencing January 2017, secured by a registered multi-purpose mortgages creating a first charge on specified residential properties	-	64,829
Term loan payable - interest at the financial institution's standard rate plus 2% (2018 - standard rate plus 2 %), monthly principal and interest payment of $nil (2018 - $600), secured by first charge on 2014 GMC Savanna Cube Van	13,957	20,126
Demand mortgage payable - interest at the financial institution's standard rate plus 1%, interest payments only, monthly principal and interest payments commencing January 2, 2020	63,000	263,500
Demand mortgage payable - interest at the financial institution's standard rate plus 1%, interest payments only, monthly principal and interest payments commencing November 1, 2020	534,000	329,500
Demand mortgage payable - interest at the financial institution's standard rate plus 1%, interest payments only, monthly principal and interest payments commencing January 1, 2020	1,750,000	875,000
Sub total	5,330,823	5,587,666

7. **Callable debt** (continued):

	2019	2018
Sub total from previous page:	$ 5,330,823	$ 5,587,666
Mortgage payable - non-interest bearing payable on January 18, 2019, secured by a first charge on a specified residential property	-	390,000
Demand mortgage payable - interest at a fixed rate of 4.25% (2018 - 4.25%), monthly principal and interest payments of $583 (2018 - $593)	15,023	21,240
Demand mortgage payable - interest at a fixed rate of 4.4% (2018 - 4.5%), monthly principal and interest payments of $10,414 (2018 - $9,538)	1,204,255	1,160,123
Demand mortgage payable - interest at a fixed rate of 4.4% (2018 - 4.4%), monthly principal and interest payments ranging from $198 - $4046 (2018 - $198 - $4,046)	1,082,525	1,091,489
Demand mortgage payable - interest at the financial institution's standard rate plus 1%, interest payments only, monthly principal and interest payments commencing January 1, 2020	55,500	-
Demand mortgage payable - interest at the financial institution's standard rate plus 1%, interest payments only, monthly principal and interest payments commencing May 1, 2022	1,330,000	-
Demand mortgage payable - interest at the financial institution's standard rate plus 1%, interest payments only, monthly principal and interest payments commencing January 1, 2021	1,320,000	-
	10,338,126	8,250,518
Less: Scheduled principal payments for one year	572,537	971,790
Callable debt	$ 9,765,589	$ 7,278,728

In addition to the security outlined above, all long term debt is secured by a general security agreement creating a first charge on all assets, the specific assignment of mortgages receivable, a letter of undertaking providing the lender the right to register a caveat on titles related to the mortgage receivables in the event of the Organization’s default, the assignment of fire insurance and an all obligations mortgage in the amount of $4,000,000 creating a first charge on land and buildings at 60 Archibald Street, Winnipeg, Manitoba. Of the demand mortgages payable noted above, $127,339 (2018 - $1,324,677) are secured by registered multi-purpose mortgages with a first charge on specified residential properties.

7. **Callable debt** (continued)**:**

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

2020	$572,537
2021	584,475
2022	606,858
2023	629,637
2024	695,805
Thereafter	7,268,202

The Organization has an authorized operating line of $600,000 (December 31, 2018 – $600,000) of which $nil is drawn (2018 - $nil), that bears interest at the financial institution's standard rate plus 1% (2018 – standard rate plus 1%) and is secured by a general security agreement creating a first charge on all assets, the specific assignment of mortgage receivable, the assignment of fire insurance and an all obligations mortgage in the amount of $4,000,000 creating a first charge on land and buildings at 60 Archibald Street, Winnipeg, Manitoba. The line is subject to annual review from the financial institution.

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

8. **Letters of credit:**

The Organization has available Letters of Credit in an aggregate amount of up to $640,800 relating to requirements of the City of Winnipeg for build site service costs and security for credit cards. As at December 31, 2019, $586,350 (December 31, 2018 - $550,050) of Letters of Credit were issued. $586,350 of the letters of credit bear interest at the financial institution's standard rate plus 1% (2018 – $550,050, standard rate plus 1%). The letters of credit are automatically renewed for a period of 90 days from the expiry date unless the beneficiary notifies the financial institution in writing that it should not be extended.

9. Special events:

Special events are comprised of the following:

2019	Cycle of Hope	House Party	Ride Around the Lake	Muddy Water	Scotch Tasting	Total
Revenue	$ 199,427	$ 123,405	$ 366,763	$ 9,160	$ 40,118	$ 738,873
Expenses	66,000	80,335	67,061	5,552	26,405	245,353
Net	$ 133,427	$ 43,070	$ 299,702	$ 3,608	$ 13,713	$ 493,520

2018	Cycle of Hope	House Party	Ride Around the Lake	Muddy Water	Scotch Tasting	Total
Revenue	$ 205,683	$ 132,311	$ 321,691	$ 37,108	$ -	$ 696,793
Expenses	36,783	72,648	49,727	17,292	-	176,450
Net	$ 168,900	$ 59,663	$ 271,964	$ 19,816	$ -	$ 520,343

10. Cost of residential properties sold to Habitat families:

Included in cost of transferred residential properties are construction overhead costs allocated in the amount of $880,258 (2018 - $832,991) based on management's internal tracking of costs by department.

11. Endowment fund:

The Organization entered into an agreement with The Winnipeg Foundation for establishment of The Habitat for Humanity Winnipeg Endowment Fund. The Winnipeg Foundation will preserve the capital in its Consolidated Trust Fund and will distribute all income generated thereon to the Organization in perpetuity. The fair value of these funds as at December 31, 2019 is approximately $74,511 (2018 - $73,278).

12. Employee benefits:

The Organization maintains a defined contribution pension plan for its employees. The expense for this plan is equal to the Organization's required contributions for the year. The total expense is $111,634 (2018 - $104,474) for the year.

13. Commitments:

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

2020	$420,000
2021	239,000
2022	179,000
2023	174,000
2024	179,000

14. Guarantee:

The Organization has provided a guarantee of the operating line of a subsidiary company in the amount of $50,000 (2018 - $50,000). The Organization has also provided a guarantee of a $450,000 (2018 - $450,000) revolving term loan with another subsidiary company and an assignment of mortgage receivables. As at December 31, 2019 $43,431 (2018 - $42,845) of the operating line was outstanding and $nil (2018 - $nil) of the revolving term loan was outstanding.

15. Financial risks and concentration of risk:

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

Liquidity risk-

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

Credit risk-

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

15. Financial risks and concentration of risk (continued):

Interest Rate Risk-

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

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

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

16. Subsequent events:

Subsequent to December 31, 2019, the outbreak of the novel strain of coronavirus ("COVID-19"), has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Government has reacted with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Company in future periods.

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Expenses:		
Amortization	$ 34,113	$ 32,331
Automotive	21,060	27,270
Bad debts	20,000	51,755
Bank charges and interest	44,855	42,923
Homeowner selection and support	15,483	14,755
Insurance	12,323	8,498
Office	123,713	110,962
Professional fees	52,031	115,794
Property taxes	11,087	10,958
Public relations, media and promotions	114,570	168,853
Salaries and benefits	1,407,925	1,474,591
Telephone	12,982	15,686
Tithe	11,076	5,834
Training	20,928	36,081
Travel and conference	21,809	27,386
Utilities	6,970	6,484
Volunteer support	39,023	65,255
	$ 1,969,948	$ 2,215,416

NON-CONSOLIDATED SCHEDULE OF HABITAT RESTORE OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Expenses:		
Amortization	$ 114,726	$ 109,027
Automotive	32,343	48,598
Bank charges and interest	31,768	28,788
Building repairs and maintenance	49,719	21,460
Insurance	12,011	11,533
Lease costs	379,350	273,730
Licenses and permits	-	50
Office	28,414	28,001
Procurement costs	32,746	64,391
Property tax	44,347	43,834
Public relations, media and promotions	8,449	6,709
Salaries and benefits	888,687	813,839
Telephone	10,814	9,865
Travel and conference	1,950	2,942
Utilities	53,706	47,617
Volunteer recognition	1,437	1,317
Waste disposal	29,584	25,156
	$ 1,720,051	$ 1,536,857

WINNIPEG HABITAT FOR HUMANITY INC.

NON-CONSOLIDATED SCHEDULE OF HABITAT HANDYMAN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Expenses:		
Amortization	$ -	$ 14,882
Automotive	-	16,730
Cost of goods sold	204,138	328,366
Office	166	2,136
Public relations, media and promotions	-	3,794
Salaries and benefits	-	240,763
Telephone	-	2,773
Tools and equipment	-	5,556
	$ 204,304	$ 615,000