HABITAT FOR HUMANITY SOCIETY OF GREATER VANCOUVER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

manning elliott

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Habitat for Humanity Society of Greater Vancouver

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of Habitat for Humanity Society of Greater Vancouver (the "Society"), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2020, and the results of its operations and 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 charitable organizations, the Society derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, and cash flows from operations for the year ended December 31, 2020 and 2019, total assets as at December 31, 2020 and 2019 and net assets at both the beginning and end of the December 31, 2020 and 2019 years.

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 report. We are independent of the Society in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

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

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INDEPENDENT AUDITORS' REPORT

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 these financial statements.

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

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

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.

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INDEPENDENT AUDITORS' REPORT

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Manning Elliott LLP

Chartered Professional Accountants
Vancouver, British Columbia
June 21, 2021

HABITAT FOR HUMANITY SOCIETY OF GREATER VANCOUVER
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 1,489,187**	$ 213,388
Accounts receivable *(Note 11)*	**429,975**	269,188
Current portion of mortgages receivable *(Note 5)*	**165,787**	190,838
Prepaid expenses and deposits	**142,454**	80,120
	2,227,403	753,534
PROPERTIES FOR RESALE *(Note 4)*	**2,008,026**	2,569,897
PROJECTS UNDER DEVELOPMENT *(Note 4)*	**1,762,160**	-
MORTGAGES RECEIVABLE *(Note 5)*	**1,513,848**	1,568,598
CAPITAL ASSETS *(Note 6)*	**4,770,198**	2,878,155
	$ 12,281,635	$ 7,770,184
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities *(Notes 7 & 11)*	**$ 722,562**	$ 270,325
Current portion of long-term debt *(Note 10)*	**301,217**	783,837
	1,023,779	1,054,162
DEFERRED CONTRIBUTIONS *(Note 8)*	**102,756**	326,944
DEFERRED CAPITAL CONTRIBUTIONS *(Note 9)*	**180,288**	-
DEFERRED LEASE PAYMENTS	**82,710**	19,338
MORTGAGE DEPOSITS	**494,801**	527,343
LONG TERM DEBT *(Note 10)*	**3,798,383**	792,615
	5,682,717	2,720,402
COMMITMENTS *(Note 14)*		
CONTINGENT LIABILITIES *(Note 15)*		
NET ASSETS		
INVESTED IN PROJECTS	**3,295,936**	1,898,594
INVESTED IN CAPITAL ASSETS	**1,963,929**	2,858,817
UNRESTRICTED	**1,339,053**	292,371
	6,598,918	5,049,782
	$ 12,281,635	$ 7,770,184

Approved on behalf of the Board

_______________________ *Director*

_______________________ *Director*

HABITAT FOR HUMANITY SOCIETY OF GREATER VANCOUVER
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Invested in Projects	Invested in Capital Assets	Unrestricted	**2020**	2019
BALANCE, BEGINNING OF YEAR	$ 1,898,594	$ 2,858,817	$ 292,371	**$ 5,049,782**	$ 3,988,891
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	71,278	-	1,477,858	**1,549,136**	1,060,891
Purchase of capital assets	-	1,405,188	(1,405,188)	**-**	-
Amortization of capital assets	-	(86,866)	86,866	**-**	-
Investment in properties for resale, net of transfer	(561,871)	573,722	(11,851)	**-**	-
Investment in projects under development	1,762,160	-	(1,762,160)	**-**	-
Mortgage payments received	(151,079)	-	151,079	**-**	-
Proceeds from deferred contributions designated for projects	(1,359,082)	-	1,359,082	**-**	-
Proceeds from deferred contributions - other	(135,000)	-	135,000	**-**	-
Proceeds from deferred capital contributions	-	(180,288)	180,288	**-**	-
Amortization of deferred contributions	1,718,270	-	(1,718,270)	**-**	-
Mortgage deposits paid	32,542	-	(32,542)	**-**	-
Deferred lease payments received	-	(63,372)	63,372	**-**	-
Repayment of long-term debt	20,124	15,975	(36,099)	**-**	-
Proceeds from long-term debt	-	(2,559,247)	2,559,247	**-**	-
BALANCE, END OF YEAR	$ 3,295,936	$ 1,963,929	$ 1,339,053	**$ 6,598,918**	$ 5,049,782

HABITAT FOR HUMANITY SOCIETY OF GREATER VANCOUVER
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
REVENUE		
Donations and fundraising *(Note 8)*	**$ 1,869,462**	$ 1,195,267
Lease revenue	**63,373**	19,338
Interest and other	**12,049**	10,723
	1,944,884	1,225,328
RESTORE SALES (EXPENSES)		
ReStore sales	**3,198,918**	3,237,826
Salaries and benefits *(Note 12)*	**(1,337,301)**	(1,432,933)
Rent	**(921,594)**	(1,016,164)
Repairs and maintenance	**(229,524)**	(172,397)
Affiliation fees *(Note 11)*	**(118,492)**	(130,486)
Vehicle	**(113,873)**	(126,122)
Utilities	**(58,134)**	(64,660)
Interest and bank charges	**(49,800)**	(45,126)
Office and sundry	**(37,581)**	(19,202)
Advertising	**(22,064)**	(24,145)
Telephone	**(17,179)**	(17,236)
Travel	**(13,043)**	(17,496)
Volunteer	**(3,306)**	(13,976)
	277,027	157,883
EXPENSES		
Salaries and benefits *(Note 12)*	**235,694**	196,449
Affiliation fees *(Note 11)*	**135,091**	68,433
Fundraising	**123,352**	107,626
Office	**94,715**	55,883
Amortization of capital assets	**86,866**	46,563
Professional fees	**77,491**	15,325
Interest and bank charges	**47,635**	32,738
Rent	**44,562**	37,332
Advertising and promotion	**24,692**	43,320
Consulting	**20,508**	5,186
Interest on long-term debt	**18,943**	19,656
Insurance	**13,259**	5,996
Travel	**9,689**	28,727
Legal fees	**8,961**	20,419
Telephone	**4,872**	4,364
Training and development	**1,982**	9,038
Conferences	**631**	4,786
	948,943	701,841
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	**1,272,968**	681,370

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HABITAT FOR HUMANITY SOCIETY OF GREATER VANCOUVER
STATEMENT OF OPERATIONS *(continued)*
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
OTHER ITEMS		
Write-up (down) of present value adjustment on mortgages receivable	**11,266**	(4,099)
Gain on mortgage assumption *(Note 5)*	**-**	318,808
Calculated interest income on mortgages receivable	**60,012**	64,812
COVID-19 subsidies *(Note 13)*	**204,890**	-
	276,168	379,521
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	**$ 1,549,136**	$ 1,060,891

HABITAT FOR HUMANITY SOCIETY OF GREATER VANCOUVER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

		2020		2019
OPERATING ACTIVITIES				
Excess of revenue over expenses for the year	$	1,549,136	$	1,060,891
Items not affecting cash:				
Amortization of capital assets		86,866		46,563
Interest income on mortgages receivable		(60,012)		(64,812)
Write-down (up) of present value adjustment on mortgages receivable		(11,266)		4,099
Amortization of deferred contributions		(1,718,270)		(1,188,143)
Gain on mortgage assumption		-		(318,808)
		(153,546)		(460,210)
Changes in non-cash working capital:				
Accounts receivable		(160,786)		(165,841)
Prepaid expenses and deposits		(62,334)		81,522
Accounts payable and accrued liabilities		452,237		(29,142)
		229,117		(113,461)
Cash flow from (used by) operating activities		75,571		(573,671)
INVESTING ACTIVITIES				
Mortgage payments received, net		151,079		150,603
Mortgage deposits (paid) received, net		(32,542)		45,110
Investment in properties for resale		(11,851)		(28,539)
Investment in projects under development		(1,762,160)		-
Investment in capital assets		(1,405,188)		(1,041,941)
Cash flow used by investing activities		(3,060,662)		(874,767)
FINANCING ACTIVITIES				
Repayment of long-term debt		(36,099)		(35,018)
Proceeds from long-term debt		2,559,247		454,048
Proceeds from deferred contributions designated for projects		1,359,082		-
Proceeds from deferred contributions - other		135,000		911,215
Proceeds from deferred capital contributions		180,288		-
Proceeds from deferred lease payments		63,372		19,338
Cash flow from financing activities		4,260,890		1,349,583
INCREASE (DECREASE) IN CASH FLOW		1,275,799		(98,855)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		213,388		312,243
CASH AND CASH EQUIVALENTS - END OF YEAR	$	1,489,187	$	213,388
CASH FLOWS SUPPLEMENTARY INFORMATION				
Non-cash investing activity *(Note 5)*	$	-	$	318,808
CASH AND CASH EQUIVALENTS CONSIST OF:				
Cash and cash equivalents	$	2,382,716	$	506,750
Term deposits		5,000		5,000
Line of credit *(Note 3)*		(898,529)		(298,362)
	$	1,489,187	$	213,388

PURPOSE OF SOCIETY

Habitat for Humanity Society of Greater Vancouver (the "Society") was incorporated under the Societies Act of British Columbia for the principal purpose of building and selling homes to those families in core housing need as identified by BC Housing. It serves low-to-mid-income families by partnering with the families, volunteers and community receiving volunteer labour and donations. In 2019, the Society implemented a partner family equity program, approved by the Board of Directors, where the Society develops properties and offers them under long-term (21 year) leases to partner families. The new equity model will be applied to Richmond, part of Mission and Coquitlam where an MOU for an 80 year lease with the City has been approved. A portion of monthly lease payments are returned to the family at the end of their lease to enable them to purchase their own home. The Society retains ownership and can lease the property to a new partner family. Prior to the new equity model 19 Government Street properties remained under mortgage. The Society is a registered charity and, as such, is exempt from income taxes. The Society transitioned to the Societies Act in 2017. As of December 31, 2020, the Society is operating 32 units of which 7 are under tenancy agreements on Government Street, 5 under long-term lease in Richmond, 2 under long-term lease on Government Street and 18 under mortgages on West Cordova and Government Street.

The Society operated four (2019 - four) retail outlets in 2020 which accept donations of new and used building materials and resells those goods to the public. All proceeds from sales at the outlets are used to support the activities of the Society. A fifth retail outlet in Abbotsford was opened subsequent to year end in March 2021.

In March of 2020, there was a global outbreak of COVID-19, which has had a significant impact on businesses through the restrictions put in place by the Canadian and U.S. governments regarding travel, business operations, and isolation/quarantine orders. At this time, the extent of the impact that the COVID-19 outbreak has had and is anticipated to have on the Society is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada, U.S. and other countries to fight the virus. The Society continues to monitor its assets and assess the impact COVID-19 will have on its operations and has taken advantage of government subsidies as described in Note 13. The extent of the effect of the COVID-19 pandemic on the Society is uncertain.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) under Part III of the CPA Canada Handbook – Accounting. Financial statements prepared in accordance with ASNPO are also in accordance with Canadian generally accepted accounting principles ("GAAP").

(b) Cash and cash equivalents

Cash and cash equivalents consist of balances on deposit and investments in highly liquid short-term deposits, which are readily convertible into known amounts of cash and which are subject to minimal risks of changes in fair value.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Capital assets

Capital assets are stated at cost less accumulated amortization which is recorded using the following annual rates and methods:

(c) Capital assets (continued)

Buildings under long term lease	4%	declining balance method
Computer equipment	30%	declining balance method
Computer software	100%	declining balance method
Office equipment	20%	declining balance method
Store equipment	20%	declining balance method
Leasehold improvements	3-5 years	straight-line method

The acquired and leased cost of land, land improvements, construction costs and all carrying charges such as mortgage interest, realty taxes, legal fees and other direct expenses are capitalized for land and buildings under development. Buildings under development will not be amortized until put into use. These capital assets are under long-term lease agreements or construction.

The Society’s policy is to record a write-down to a capital asset's fair value or replacement cost when conditions indicate that a capital asset is impaired. Such conditions include when the capital asset no longer contributes to the Society's ability to provide goods and services or when the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. Write-downs are recognized as an expense in the statement of operations and are not reversed.

(d) Properties for resale

The cost of land, land improvements, construction costs and all carrying charges such as mortgage interest, realty taxes, legal fees and other direct expenses are inventoried for all unsold houses and land. These properties are under tenancy agreements.

(e) Projects under development

The Society will retain ownership of these properties after completion of construction until property title is transferred to partner families. Projects under development, which include land, buildings and building materials are recorded at the lower cost and net realizable value. Net realizable value is defined as the lower of market value less costs of disposition and the amount of non-forgivable mortgages to be assumed by partner families. Contributed services and material related to projects under development of which fair value cannot be reasonably estimated are not recorded as part of the cost of projects under development. These projects are intended to have property titles transferred to partner families.

(f) Revenue recognition

The Society follows the deferral method of accounting for donations. Unrestricted donations are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted donations are recognized as revenue in the year in which the related expenses or expenditures for projects are incurred. The amount of any pledges to donate funds to the Society is not included in revenue until collection is assured.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Revenue recognition (continued)

Revenue from projects under development is recognized when the Society has transferred the significant risks and rewards of credits earned to the partner family, in that all significant acts have been completed and the Society retains no continuing managerial involvement in, or effective control of, the home to a degree usually associated with the home, and reasonable assurance exists regarding the measurement of consideration. Generally, this occurs upon transfer of property title to the partner family. The proceeds recognized are determined by reference to fair market value of the homes transferred. The proceeds are satisfied by mortgages issued by the Society.

Deferred capital contributions are contributions that are restricted for the purchase of capital assets. These contributions will be amortized and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Lease revenue represents cost recoveries received from long-term leases and is recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated.

The ReStore outlets sell donated new and used building materials. ReStore outlet revenue is recognized upon delivery of the goods to the customer.

Investment income is recognized in the period the investment income is earned.

In-kind donations are recorded at the estimated fair value of the donated goods, when estimated fair value is determinable and they would otherwise be purchased by the Society.

Due to the uncertainty of their value, in-kind donations of new and used building materials and home decoration items for resale are not recorded as a contribution, grant or donation at the time these goods are donated.

The activities of the Society are largely conducted by unpaid volunteers. The fair value of their services is difficult to determine and therefore, is not included in the financial statements.

(g) Forgivable loans

Forgivable loans used to acquire capital assets are accounted for in the same manner as contributions restricted for the same purpose, whereby revenue is recognized on the same basis as the amortization expense related to the acquired capital assets.

Forgivable loans designated to projects under development are deferred and recognized as revenue when the related construction costs are incurred.

(h) Deferred lease payments

Payments received from partner families under long-term leases, net of cost recoveries and administration fees, are deferred until termination of the lease under specified terms and conditions then paid out to partner families.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Net assets

Net assets invested in projects are equal to the carrying value of the mortgages receivable plus the properties for resale and the projects under development less long-term liabilities and deferred contributions related thereto.

Net assets invested in capital assets are equal to the carrying value of the assets less the long-term liabilities and deferred capital contributions related thereto.

Unrestricted net assets represent the residual net assets.

(j) Mortgage deposits

Mortgage deposits represent security deposits and monthly tenancy payments received from partner families in the Government Street units while in the tenancy phase, prior to the title transfer. Upon title transfer, these amounts are credited to the family's first mortgage. The mortgage deposits paid for the Government Street owned properties are recorded fully as a liability, but the cost recoveries pertaining to the Government Street are not determinable as at December 31, 2020.

(k) Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues and expenses as at the end of or during the reporting period. Management believes that the estimates used are reasonable and prudent; however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of mortgages receivable, determination of the useful lives of capital assets used for computing amortization, the amounts recorded as accrued liabilities, expense recoveries, and the recognition of deferred contributions and deferred capital contributions.

(l) Financial instruments

i) Measurement

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, mortgages receivable, accounts payable and long-term debt.

The Society initially measures all of its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures all of its financial assets and liabilities at amortized cost. Changes in fair value of equity instruments are recognized in the statement of operations.

ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations in the period in which it is determined.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments (continued)

iii) Transaction costs

Transaction costs that are directly attributable to the origination, issuance or assumption of a financial instrument that is subsequently measured at amortized cost are assigned to those financial instruments. All other transaction costs are recognized in the statement of operations in the period incurred.

2. FINANCIAL INSTRUMENTS RISKS

The Society's financial instruments are described in Note 1(l). In management’s opinion, the Society is not exposed to significant credit, liquidity, market, currency, interest rate and other price risks except as explained below. In addition, the Society is not exposed to any material concentrations of risk and there has been no significant change in the risk exposures described below from the prior year, except as noted with respect to COVID-19.

Credit risk

The Society is exposed to credit risk in the event of non-payment of mortgages by the 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 substantially less than 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 and related parties. The allowance for doubtful accounts included in accounts receivable at December 31, 2020 was $Nil (2019 - $Nil).

The Society's exposure to credit risk has changed as a result of COVID-19 as the timing of the collection of accounts receivable and mortgages receivable may be impacted. However, it is not practical for the Society to estimate the impact of COVID-19 on each partner families' and funders' ability to pay their accounts. Management will maintain frequent communication with its partner families and funders to monitor credit risk and take necessary steps to mitigate any potential credit losses.

Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities are due within the current operating period. The current portion of long-term debt is payable as disclosed in Note 10. The Society manages liquidity risk through the management of its capital structure.

As noted above, the COVID-19 health pandemic could impact the timing of cash inflows from partner families and funders. The Society has pro-actively worked with its partner families, funders, vendors and creditors to manage any disruption to its regular balance of working capital and anticipates that its cash reserves will adequately minimize liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Society is only exposed to interest rate risk.

2. FINANCIAL INSTRUMENTS RISKS *(continued)*

Interest rate risk

The Society is exposed to fluctuations in interest rates as the banking facilities bear interest at variable rates. The mortgages receivable are non-interest bearing. The effective interest rate set for purposes of valuing mortgages is disclosed in Note 5.

3. LINE OF CREDIT

The Society maintains line of credit facilities with Vancouver City Savings Credit Union in the total amount of $1,900,000, at interest rates ranging from prime plus 1% to prime plus 2%, calculated monthly. As at December 31, 2020, the Society has used $898,529 (2019 - $298,362) of the available credit limit. The facilities are secured by townhouse units 14, 15, 17, 22, 23, 24, 25, 26, 27 - 8745 Government Street, Burnaby, BC.

4. PROPERTIES FOR RESALE AND PROJECTS UNDER DEVELOPMENT

As disclosed in Note 1(d) and (e), properties for resale and projects under development are recorded at cost and consist of the following:

	2020	2019
Properties for resale - Government Street, Burnaby, BC - 7 units (2019 - 9 units)	**$ 2,008,026**	$ 2,569,897
Projects under development - Cedar Valley Connector, Mission, BC - 8 units (2019 - Nil)	**1,762,160**	-
	$ 3,770,186	$ 2,569,897

In 2020, the long-term lease agreement was signed with partner families for two Government Street units. The cost of these units in the amount of $573,722 is transferred to capital assets (Note 6).

5. MORTGAGES RECEIVABLE

From 2002 to 2010, the Society sold 16 housing units at 8745 Government Street, Burnaby, BC to qualified families and issued interest-free first and second mortgages, which together equalled the fair market value of the particular unit at the time of the sale.

The first mortgages bear no interest, are secured by a charge on the specific property and are receivable in monthly payments with a 20 or 25 year term. Monthly payments are set annually based on the partner family's income. Second mortgages bear no interest, and are secured by a charge on the specific property, and require no monthly payments until the first mortgage is paid off, with a term of up to 99 years. The Society has a first right of refusal on all mortgages.

Certain second mortgages include terms for forgiveness. Forgiveness is contingent upon the occurrence of certain future events including the length of the occupancy by the homeowner. The forgivable portion of any mortgage is valued at $Nil as the likelihood of collection is remote considering the above forgivable feature. In the year that the forgivable portions are required to be paid, or the right of forgiveness has been forfeited, the previously forgivable portion will be recognized as revenue.

5. MORTGAGES RECEIVABLE (continued)

In 2011, the Society sold an additional 5 housing units at 8745 Government Street. Unlike the mortgages issued for prior phases of the project, the second mortgages issued for these units that represent the difference between fair market value and the principal amount of the first mortgage are not forgivable.

In 2012, the Society entered into a strategic partnership with Westbank Corporation, a major condominium developer in Vancouver for the purchase of 4 units at their new development at 66 West Cordova at a discounted rate. In addition, Vancouver City Savings Credit Union provided an additional $40,000 grant for each of these units to further reduce the cost of these units. A Section 219 covenant was issued by the City of Vancouver on each of these units to ensure that these units remain affordable housing units. The Society recorded the sales of these 4 units at the Society's cost to acquire these units, which is net of a Vancouver City Savings Credit Union $160,000 grant received. Only first mortgages were issued for the full value of the sale.

Between 2013 and 2015, the Society bought back 3 units which are occupied under tenancy at will agreements.

In 2019, the Society entered into a mortgage receivable assumption for a mortgage previously held by Habitat for Humanity Upper Fraser Valley. The mortgage receivable was assumed in the amount of $318,808 and the title of the land was transferred to the Society in consideration of $1. As a result of the transaction, a gain on mortgage assumption in the amount of $318,808 was recognized in the statement of operations.

Since all mortgages are interest-free and total payments on the mortgages will equal the original principal amounts, the Society has, in accordance with ASNPO, recorded the first mortgages at net present value using an imputed annual interest rate of 3.49% (2019 - 3.49%) based on the expected payments on the mortgage. The mortgages receivable are revalued as of December 31 each year, on the basis of the discounted expected future monthly cash flows from each mortgage. The change in the mortgage receivable balance at year end is recorded as an adjustment to mortgage discount expense.

The changes in the mortgages were as follows:

	2020	2019
Face value of mortgages receivable, beginning of year	**$ 2,486,457**	$ 2,318,252
Principal payments received	**(151,079)**	(150,603)
New mortgage acquired	**-**	318,808
Face value of mortgages receivable, end of year	**2,335,378**	2,486,457
Present value adjustments	**(655,743)**	(727,021)
Mortgages receivable	**1,679,635**	1,759,436
Less: current portion	**(165,787)**	(190,838)
	$ 1,513,848	$ 1,568,598

6. CAPITAL ASSETS

	Cost	Accumulated amortization	**2020 Net book value**	2019 Net book value
Land - Coquitlam	$ 10	$ -	**$ 10**	$ 10
Land - Mission	247,500	-	**247,500**	247,500
Land - Richmond	382,300	-	**382,300**	382,300
Buildings under construction - Coquitlam	67,771	-	**67,771**	43,427
Buildings under construction - Mission	1,129,238	-	**1,129,238**	214,477
Buildings under construction - Richmond	1,185,974	-	**1,185,974**	726,755
Richmond long-term lease	1,226,755	72,624	**1,154,131**	1,202,220
Government Street under long-term lease	573,722	22,949	**550,773**	-
Computer equipment	80,671	69,153	**11,518**	13,568
Computer software	2,411	2,411	**-**	-
Office equipment	38,417	25,690	**12,727**	15,629
Store equipment	87,239	83,312	**3,927**	4,909
Leasehold improvements	154,752	130,423	**24,329**	27,360
	$ 5,176,760	$ 406,562	**$ 4,770,198**	$ 2,878,155

In 2020, the Society transferred properties for resale to capital assets in the amount of $573,222 (2019 - $2,841,225).

In 2019, the Society entered into a memorandum of understanding with the City of Coquitlam for a lease over the term of 80 years for pre-paid rent in the nominal amount of $10. The leased property is intended to be utilized for the provision of affordable housing.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities at December 31, 2020 are government remittances of $87,433 (2019 - $14,883).

8. DEFERRED CONTRIBUTIONS

	2020	2019
Balance at beginning of year	**$ 326,944**	$ 603,872
Additions during the year	**1,494,082**	911,215
Less: revenue recognized during the year	**(1,718,270)**	(1,188,143)
	$ 102,756	$ 326,944

Revenue recognized during the year includes $640,000 (2019 - $Nil) of forgivable loan received from Canada Mortgage and Housing Corporation via Habitat for Humanity Canada (Note 11 and Note 15).

9. DEFERRED CAPITAL CONTRIBUTIONS

The capital contributions below are for specific capital assets and have been deferred as they will be recognized as revenue when related capital assets are amortized. The original amounts contributed and deferred, and the amounts recognized as revenue to date are as follows:

	Amount Contributed	Accumulated Revenue Recognized	Unamortized Contributions
Deferred capital contributions - Richmond	$ 168,458	$ -	$ 168,458
Deferred capital contributions - Mission (11 units)	11,830	-	11,830
	$ 180,288	$ -	$ 180,288

The continuity of the Society's deferred capital contributions is as follows:

	2020	2019
Balance at beginning of year	**$ -**	$ -
Additions during the year	**180,288**	-
Less: revenue recognized during the year	**-**	-
	$ 180,288	$ -

10. LONG TERM DEBT

	2020	2019
Mortgage payable to Vancouver City Savings Credit Union bearing interest at 3.0% per annum, payable at $3,037 per month, including interest. Secured by certain units at 8745 Government Street, Burnaby, BC. The mortgage will mature in April 2026.	**$ 468,560**	$ 488,684
Mortgage payable to British Columbia Housing Management Commission (BC Housing) bearing interest at a variable rate to a maximum of prime plus 1% per annum, payable at $1,619 per month, including interest. Secured by the real property at 8180 Ash Street, Richmond, BC along with a general security agreement over all assets of the Society. The mortgage matured in December 2018. This mortgage is under renegotiation process.	**279,178**	295,153
Loan payable to British Columbia Housing Management Commission (BC Housing) for maximum principal of $1,540,023 bearing interest at a variable rate to a maximum of prime plus 1% per annum. Secured by the real property at 8180 Ash Street, Richmond, BC along with a general security agreement over all assets of the Society. The loan is due one year from the date of full occupancy of the property.	**1,227,140**	792,615

10. LONG TERM DEBT *(continued)*

	2020	2019
Loan payable to British Columbia Housing Management Commission (BC Housing) for maximum principal of $4,194,144 bearing interest at a variable rate to a maximum of prime plus 1.75% per annum. Secured by certain units at 32588 Cedar Valley Connector, Mission, BC along with a general security agreement over all assets of the Society.	**2,124,722**	-
	4,099,600	1,576,452
Less amounts classified as current liabilities:		
Current portion of long-term debt	**(301,217)**	(783,837)
	$ 3,798,383	$ 792,615

The Society must meet certain financial covenants regarding the mortgage payable to Vancouver City Savings Credit Union. As at December 31, 2020, the Society was in compliance (2019 - in compliance) with its minimum debt service coverage ratio per the debt covenant.

Principal repayment terms are approximately as follows:

2021	$ 301,217
2022	23,369
2023	24,079
2024	24,810
2025	25,567
Thereafter	3,700,558
	$ 4,099,600

11. RELATED PARTY TRANSACTIONS

The Society is an affiliate of Habitat for Humanity Canada (HFHC). There is a covenant agreement between HFHC and all Canadian affiliates whereby HFHC provides administrative and marketing support, training opportunities and gift in kind coordination. Pursuant to the by-laws of HFHC which was updated effective March 10, 2015, the Society pays an affiliation fee consisting of $12,500 per annum, per vote, 20% on all nationally procured gifts in kind used for homebuilding and 15% on nationally procured gift in kind sold through the ReStores, 20% on nationally raised donations, a 3% of cash raised Stewardship and Organizational Sustainability Initiative (SOSI) fee, and a range of 2.5% to 5% of the gross ReStore outlet sales, paid quarterly. The Society also contributes a tithe for international work in the amount of 10% of its donations, excluding donations designated by a donor for local building. Total fees paid during the year by the Society to HFHC were $265,075 (2019 - $198,918).

Accounts receivable includes $353,581 (2019 - $51,521) due from HFHC.

Accounts payable and accrued liabilities includes $87,078 (2019 - $36,996) due to HFHC.

Deferred capital contributions include $13,490 (2019 - $Nil) from HFHC.

Donation revenue includes forgivable loan of $640,000 from Canada Mortgage and Housing Corporation via HFHC (Note 8).

11. RELATED PARTY TRANSACTIONS *(continued)*

Related party transactions are in the normal course of operations and have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Payables to related parties are unsecured, non-interest bearing, and due on demand.

12. SALARIES AND BENEFITS

During the year ended December 31, 2020, salaries and benefits expense include three employees that each earned over $75,000 (2019 - four employee earned over $75,000) for a total of $337,588 (2019 - $412,247).

13. COVID-19 SUBSIDIES

The Society made a claim for the Canada Emergency Wage Subsidy to the federal government for the period from March to September 2020 and received an amount of $179,890 and the Canada Temporary Wage subsidy for an amount of $25,000 for a total of $204,890.

14. COMMITMENTS

The Society has operating lease commitments for its ReStore locations and equipment expiring between 2021 and 2026. The estimated lease commitments during the next five years and thereafter are anticipated as follows:

2021	$ 1,529,179
2022	1,429,198
2023	1,053,000
2024	1,081,474
2025	706,286
Thereafter	195,631
	$ 5,994,768

15. CONTINGENT LIABILITIES

a) The Society has agreements in place with its partner families allowing the Society first right of refusal to repurchase properties held by individual partner families who wish to sell. If exercised, the Society's minimum cost to purchase any given property is the sum of all loan payments received by the Society from the respective partner family, less administrative costs and any required repairs to the repurchased property. Total loan payment received from all partner families as at December 31, 2020 is $2,116,989 (2019 - $2,044,119).

b) Canada Mortgage and Housing Corporation forgivable loan via Habitat for Humanity Canada in the amount of $640,000, bearing interest at 0% per annum, forgiven over 20 years commencing 2021, repayable on demand in the event of default, plus interest at 5% per annum.

c) The Society, from time to time, is subject to various legal proceedings and claims. Management is of the view that these will not have a material adverse effect on the Society and its operations.