Habitat for Humanity Greater Toronto Area
Financial Statements
For the year ended December 31, 2019

Contents

BDO

Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

To the Members of Habitat for Humanity Greater Toronto Area

Opinion

We have audited the accompanying financial statements of Habitat for Humanity Greater Toronto Area ("Habitat") which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Habitat for Humanity Greater Toronto Area 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 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 Financial Statements* section of our report. We are independent of Habitat in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these 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 Habitat'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 Habitat or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report (continued)

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 Habitat'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 Habitat's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Habitat 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
May 19, 2020

Habitat for Humanity Greater Toronto Area
Statement of Financial Position

December 31		2019		2018
Assets				
Current assets				
Cash and cash equivalents	$	**4,270,917**	$	4,113,948
Accounts receivable		**1,385,475**		1,026,498
Prepaid expenses		**497,941**		330,599
Current portion of mortgages receivable (Note 2)		**1,287,801**		1,258,258
		7,442,134		6,729,303
Mortgages receivable (Note 2)		**34,705,186**		29,871,628
Projects under development (Note 3a)		**18,030,506**		18,087,204
Asset held for sale (Note 3b)		**4,601,891**		4,601,891
Capital assets (Note 4)		**6,104,738**		6,178,089
	$	**70,884,455**	$	65,468,115
Liabilities and Net Assets				
Current liabilities				
Bank indebtedness (Note 5)	$	**200,000**	$	200,000
Accounts payable and accrued liabilities (Notes 6 and 12)		**2,937,416**		2,740,205
Current portion of long-term debt (Note 7)		**2,014,116**		2,131,218
Current portion of obligations under capital lease (Note 15)		**113,214**		73,143
		5,264,746		5,144,566
Deferred contributions (Note 8)		**331,388**		399,905
Deferred capital contributions (Note 9)		**228,979**		245,360
Deferred revenue (Note 3b)		**500,000**		500,000
Long-term debt (Note 7)		**23,042,276**		19,102,504
Obligations under capital lease (Note 15)		**161,539**		145,440
		29,528,928		25,537,775
Net assets				
Invested in projects under development (Note 10)		**36,862,138**		36,001,220
Invested in capital assets (Note 11)		**1,837,859**		1,719,385
Unrestricted		**2,655,530**		2,209,735
		41,355,527		39,930,340
	$	**70,884,455**	$	65,468,115

On behalf of the Board:

________________________ Director

________________________ Director

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity Greater Toronto Area
Statement of Operations

For the year ended December 31	2019	2018
Revenue		
Donations and fundraising	**$ 3,878,115**	$ 4,798,184
Donations in kind - materials, fees and services	**917,754**	612,924
Government grants	**25,000**	270,000
Interest and other	**126,497**	45,027
Recognition (deferral) of restricted donations, net	**96,994**	(199,480)
ReStore revenues (Schedule 1)	**7,899,285**	7,181,173
	12,943,645	12,707,828
Expenditures		
Administrative (Schedule 2)	**1,433,811**	1,443,574
Fundraising (Schedule 3)	**1,635,886**	1,751,295
Program (Schedule 4)	**3,763,079**	3,617,953
ReStore expenses (Schedule 1)	**5,794,669**	5,629,235
	12,627,445	12,442,057
Excess of revenue over expenditures before undernoted income (expenditures)	**316,200**	265,771
Home sales and related activities		
Proceeds from sales	**13,491,464**	10,276,395
Development costs of homes sold	**(9,509,815)**	(8,583,776)
Mortgage discount expense (Note 2)	**(5,033,393)**	(4,832,725)
Imputed interest income on mortgages receivable (Note 2)	**1,505,768**	1,285,680
Mortgage realization (Note 2)	**654,963**	120,072
Donations in kind - land and homes	**-**	260,647
	1,108,987	(1,473,707)
Excess (deficiency) of revenue over expenditures	**$ 1,425,187**	$ (1,207,936)

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity Greater Toronto Area
Statement of Changes in Net Assets

For the year ended December 31

	Invested in projects under development (Note 10)	Invested in capital assets (Note 11)	Unrestricted	2019 Total	2018 Total
Net assets, beginning of year	$ 36,001,220	$ 1,719,385	$ 2,209,735	$ 39,930,340	$ 41,138,276
Excess (deficiency) of revenue over expenditures	1,108,987	(264,313)	580,513	1,425,187	(1,207,936)
Investment in projects under development	10,401,243	-	(10,401,243)	-	-
Purchase of capital assets, net of capital lease advances	-	77,347	(77,347)	-	-
Mortgage principal received, net	(5,979,627)	-	5,979,627	-	-
Proceeds from long-term debt	(7,205,427)	-	7,205,427	-	-
Repayment of long-term debt	2,426,942	231,615	(2,658,557)	-	-
Amortization of deferred contributions	108,800	-	(108,800)	-	-
Payment of capital lease obligations	-	78,615	(78,615)	-	-
Proceeds from disposal of capital assets	-	(4,790)	4,790	-	-
Net assets, end of year	$ 36,862,138	$ 1,837,859	$ 2,655,530	$ 41,355,527	$ 39,930,340

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity Greater Toronto Area

Statement of Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures for the year	$ 1,425,187	$ (1,207,936)
Adjustments required to reconcile excess (deficiency) of revenue over expenditures with cash provided by operating activities		
Amortization	282,550	282,254
Gifts in kind	(917,754)	(873,571)
Deferred contributions	(68,517)	245,270
Amortization of deferred contributions for projects costs and capital assets	(16,381)	(64,433)
Gain on transfer of projects under development	(3,981,649)	(2,196,955)
Imputed interest income on mortgages receivable	(1,505,768)	(1,285,680)
Mortgage realization	(654,963)	(120,072)
Write-down of mortgages receivable to amortized cost	5,033,393	4,832,725
(Gain) loss on disposal of capital assets	(1,856)	4,797
Changes in non-cash working capital balances		
Accounts receivable	(358,977)	(170,545)
Prepaid expenses	(167,342)	(10,563)
Accounts payable and accrued liabilities	197,211	(496,574)
Deferred revenue	-	500,000
	(734,866)	(561,283)
Investing activities		
Mortgage payments received	5,979,627	3,812,544
Expenditures on projects under development	(9,483,490)	(7,104,391)
Purchase of capital assets, net of capital lease advances	(77,347)	(233,849)
Proceeds on disposal of capital assets	4,790	-
	(3,576,420)	(3,525,696)
Financing activities		
Proceeds from long-term debt	7,205,427	6,210,486
Repayment of long-term debt	(2,658,557)	(1,133,634)
Repayment of capital lease obligation	(78,615)	(61,814)
Bank indebtedness	-	5,000
	4,468,255	5,020,038
Increase in cash and cash equivalents	156,969	933,059
Cash and cash equivalents, beginning of year	4,113,948	3,180,889
Cash and cash equivalents, end of year	$ 4,270,917	$ 4,113,948
Represented by:		
Cash	$ 1,867,958	$ 1,563,948
Cash equivalents	2,402,959	2,550,000
	$ 4,270,917	$ 4,113,948

The accompanying notes are an integral part of these financial statements.

1. Significant Accounting Policies

Nature of Operations

Habitat for Humanity Greater Toronto Area ("Habitat") was created through the amalgamation of three Habitat affiliates and was incorporated without share capital by letters patent, dated April 1, 2014 under the Ontario Corporations Act. Habitat is a registered charitable organization under the Income Tax Act (Canada).

The Mission of Habitat is to mobilize volunteers and communities to help working, lower income families build strength, stability and self-reliance through affordable home ownership. In order to support administrative and fundraising efforts, Habitat also operates retail stores, which sell donated new and used materials called ReStores.

Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition.

Financial Instruments

Habitat's financial instruments comprise of cash and cash equivalents, accounts receivable, mortgages receivable, bank indebtedness, accounts payable and long-term debt.

Financial instruments obtained in arm's length transactions are initially measured at their fair value and financial assets or liabilities obtained in a related party transactions are measured at their exchange amount. Habitat subsequently measures all of its financial instruments at amortized cost less impairment. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

Transaction costs incurred on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Projects Under Development

Projects under development, which include land, buildings and building materials, both purchased and donated, are recorded at the lower of 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. Any excess of carrying value over net realizable value is expensed in the year in which the impairment is determined.

1. Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost. Amortization is provided over the assets' estimated useful lives as follows:

Building - 155 Bermondsey Road	50 years straight-line
Automotive	30% Declining balance
Machinery and equipment	20% Declining balance
Computers and software	30% Declining balance
Furniture and fixtures	20% Declining balance
Leasehold improvements	straight-line basis over the term of the lease to a maximum of ten years

Asset Held for Sale

Asset held for sale is recorded at the lower of carrying amount or fair value less costs to sell.

Revenue Recognition

Habitat follows the deferral method of accounting. Unrestricted donations are recognized as revenue when received or receivable. Restricted donations and government grants are recognized as revenue in the year in which the related expenditures are incurred. Deferred contributions represents unspent restricted donations. The amount of any pledges are not recognized as revenue until collection is assured.

Deferred capital contributions arise from funds that have been received that are to be used to fund capital asset purchases. Deferred capital contributions are recognized over the estimated useful life of the corresponding capital asset.

The ReStores sell donated new and used materials. Revenue from ReStores is recognized upon delivery of the goods to the customer.

Revenue from projects is recognized when Habitat has transferred the significant risks and rewards of home ownership to the partner family, in that all significant acts have been completed and Habitat retains no continuing managerial involvement in, or effective control of, the home to a degree usually associated with ownership, 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 Habitat. These mortgages are recorded at amortized cost.

Net Assets

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

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

Unrestricted net assets represents the residual net assets of Habitat.

1. **Significant Accounting Policies** (continued)

Donated Goods and Services

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

Goods donated to the ReStore outlets are not recorded as assets in the financial statements.

A substantial number of volunteers make significant contributions of time to Habitat's programs and supporting services. The value of this contributed time is not reflected in the financial statements.

Allocation of Support Expenses

Salaries and benefits expenses are allocated to various activities based on the time and efforts dedicated by staff to support those activities. Facilities expenses are allocated to various activities based on the space usage of each activity (Note 13).

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates. Significant estimates may include donated items, the recoverability and useful life of capital assets and projects under development.

2. Mortgages Receivable

	2019 Face Value	2019 Amortized Cost	2018 Face Value	2018 Amortized Cost
Non-forgivable first mortgages	**$ 55,031,292**	**$ 32,706,132**	$ 46,862,579	$ 27,876,824
Non-forgivable second mortgages	**15,705,266**	**2,825,654**	15,978,019	2,799,134
Non-forgivable third mortgages	**4,627,975**	**461,201**	2,586,378	453,928
	75,364,533	**35,992,987**	65,426,976	31,129,886
Forgivable second mortgages	**8,982,612**	**-**	7,570,288	-
Forgivable third mortgages	**6,541,652**	**-**	6,594,839	-
	90,888,797	**35,992,987**	79,592,103	31,129,886
Less: current portion	**2,740,607**	**1,287,801**	2,523,083	1,258,258
	$ 88,148,190	**$ 34,705,186**	$ 77,069,020	$ 29,871,628

First mortgages bear no interest, are secured by a charge on the specific property and are receivable in monthly payments with a twenty, twenty-five or thirty year term. Monthly payments are set annually based on the partner family's income.

Second and third mortgages bear no interest, are secured by a charge on the specific property, and require no monthly payments with terms up to 99 years. Certain second and third mortgages issued by predecessor affiliates include terms for forgiveness. Forgiveness is contingent upon the occurrence of certain future events including the length of occupancy by the homeowner. The forgivable portion of any mortgage is valued at $Nil as the likelihood of collection is remote considering the forgivable feature. In the year that the forgivable portions are required to be paid, or the right to forgiveness has been forfeited, the previously forgivable portion will be recognized as mortgage realization.

All mortgages are non-interest bearing, however, imputed interest income on mortgages is calculated and recognized in the statement of operations over the life of the mortgage based on the prevailing interest rate in effect at the time of inception of the mortgage. Amortized cost is the present value of the expected cash flows of the financial instrument over the remaining life of the financial instrument, discounted using the effective (or market) interest rate at the time of inception. Mortgages that are repaid earlier than scheduled payments will result in the realization of the amortized cost on the Statement of Operations.

Mortgages are measured at amortized cost, as follows:

- effective interest rates of 1.80% to 7.62%;
- monthly payment for the subsequent year; and
- mortgage terms to a maximum of 35 years

3. Projects Under Development and Asset Held for Sale

	2019	2018
(a)		
136 -140 Pinery Trail	**$ 7,739,857**	$ 13,186,688
59 McLaughlin North	**5,303,584**	4,070,828
355 - 363 Coxwell Ave	**2,432,070**	-
Dalton Road	**1,581,275**	469,303
253 Markham Road	**477,823**	36,598
25 William Street	**228,776**	174,498
3060 Eglinton Avenue East	**70,685**	70,685
Various projects and construction inventory	**70,086**	49,731
146 - 150 Harrison Street	**44,734**	4,305
1800 St. Clair Ave West/383 - 425 Old Weston Road	**40,632**	9,060
30 Ordnance / Garrison Point	**29,772**	15,508
70 - 72 Carlton Street	**11,212**	-
	$ 18,030,506	$ 18,087,204

As of the year end, all of the units of 59 McLaughlin Road North, Brampton (13 units) and of 140 Pinery Trail, Scarborough (20 units) have been occupied. The title to these units will be transferred to the homeowners upon registration of the condominiums.

During the year, loan interest of $197,035 (2018 - $111,986) has been capitalized to the cost of various projects.

(b) During the previous year, Habitat agreed to sell its interest in the 3385 Dundas Street West project for approximately $5 million. As a result of the transaction, the interest in the property totaling approximately $4.6 million representing the lower of the carrying amount and the fair value less costs to sell, has been classified as asset held for sale and not included in projects under development. As of December 31, 2019, Habitat has received $500,000 as part of the consideration, which has been, classified as deferred revenue on the statement of financial position and will be recognized on the statement of operations upon the closing of the transaction.

4. Capital Assets

	2019 Cost	2019 Accumulated Amortization	2018 Cost	2018 Accumulated Amortization
Land - 155 Bermondsey Rd	**$ 1,788,876**	**$ -**	$ 1,788,876	$ -
Building - 155 Bermondsey Rd	**4,551,299**	**818,615**	4,551,299	727,589
Automotive	**775,713**	**461,298**	738,467	436,468
Machinery and equipment	**248,842**	**170,974**	236,997	155,351
Computers and software	**214,114**	**132,499**	158,721	105,030
Furniture and fixtures	**150,738**	**86,016**	130,937	71,350
Leasehold improvements	**183,728**	**139,170**	355,849	287,269
	$ 7,913,310	**$ 1,808,572**	$ 7,961,146	$ 1,783,057
Net book value		**$ 6,104,738**		$ 6,178,089

Included in automotive are assets under capital lease of $207,303 (2018 - $184,220).

5. Bank Indebtedness

Habitat has a revolving demand credit facility in the amount of $200,000 (2018 - $200,000). The facility bears interest at the prime rate and is secured by a general security agreement. In 2019, $200,000 (2018 - $200,000) was utilized.

Habitat has access to letters of credit/letters of guarantee bearing a fee of 1%, to a combined maximum of $1,130,000 (2018 - $1,130,000). The credit facility is secured by a general security agreement over all assets other than real property. As at December 31, 2019, Habitat has letters of credit outstanding under the facility in the amount of $867,375 (2018 - $874,079).

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances and HST payable of $61,192 (2018 - $352,188).

7. Long-term Debt

	2019	2018
155 Bermondsey Road Mortgage - multiple tranches, bearing interest at 3.74% to 3.84%, secured by the property and a general security agreement, requires blended monthly payments ranging from $5,888 to $17,403 based on 20-year amortization, maturing March 2031 to November 2036	**$ 3,720,753**	$ 3,941,695
Term loan - multiple draw downs, bearing interest at 2.98% to 3.95%, secured by a general security agreement, requires blended monthly payments ranging from $1,829 to $19,272 based on 10-year to 15-year amortization, matures September 2020 to October 2034	**6,654,076**	3,665,285
Term revolving loan - multiple draw downs, bearing interest at 2.97% to 4.45%, secured by a general security agreement, requires monthly principal payments ranging from $434 to $13,894 based on a 15-year amortization, matures August 2028 to April 2030.	**2,644,790**	5,146,627
Term loan - bearing interest at 2.98%, secured by an assignment of mortgages from the McLevin project, requires blended monthly payments of $7,157, based on a 20-year amortization, due September 2021	**1,132,977**	1,184,480
Term loan - bearing interest of 4.92%, secured by assignment of mortgages recoverable at 357 - 373 Birchmount Road, requires monthly blended payments of $6,380 and matures November 2022	**1,050,803**	1,075,016
Term loan - multiple tranches, bearing interest at a rate equal to the greater of the prime lending rate of TD Bank plus 0.50% or 3.50%, secured by assignment of mortgage receivable from 136 Pinery Trail project, requires monthly principal payments ranging from $1,667 to $2,500, based on 20-year amortization, maturing October 2022	**1,353,750**	1,428,750
Term loan - multiple tranches, bearing interest at a rate of 4.375% secured by the mortgage receivable from Kennedy Road and Phase 2 of Pinery Trail, requires blended monthly payments ranging from $2,112 to $3,169, based on 20 year amortization, maturing October 2023	**1,294,646**	1,338,365
Construction loan - bearing interest at bank prime rate plus 1.50%, secured by a general security agreement, requires only interest payments until maturity, interest paid monthly, due on demand	**-**	812,414
Balance to carry forward	**$ 17,851,795**	$ 18,592,632

7. Long-term Debt (continued)

Balance carried forward	**$ 17,851,795**	$ 18,592,632
Term loan - multiple tranches, bearing interest at a rate equal to 4.20% secured by the mortgage receivable from 12600 Kennedy Road and Phase 2 Block A of the Pinery Trail projects, requires blended monthly payments ranging from $2,067 to $3,100, based on 20 year amortization, maturing July to October 2023	**1,293,700**	1,338,024
Equipment loan - bearing interest at a rate of 3.84%, secured by vehicles financed, due August 2023, requires blended monthly payments of $1,069	**42,394**	53,066
136-140 Pinery Trail, City of Toronto mortgage - non-interest bearing, secured by a second mortgage on the property, no payments required until maturity, interest and principal will be forgiven upon transfer of property to partner family	**500,000**	1,250,000
Construction loan, interest only at a rate of 5.55%, secured by assignment of mortgages receivable on Pinery Block C project, requires monthly payments of $11,132	**2,104,617**	-
Term loan, bears interest at 4.60%, secured by assignment of mortgages receivable on the Tobram project, requires monthly payments of $10,108 based on a 25 year amortization, maturing on February 2024	**1,763,886**	-
Construction loan, interest only at a rate of 5.55%, secured by assignment of mortgages receivable from the McLaughlin project, requires monthly payments of $5,445	**1,000,000**	-
Coxwell property vendor take back loan - non-interest bearing, secured by a second mortgage on the property, no payments required until property is sold. If the property is sold for over $2.3 million, half the of proceeds are payable to the lendor	**500,000**	-
	25,056,392	21,233,722
Less: current portion	**2,014,116**	2,131,218
	$ 23,042,276	$ 19,102,504

7. Long-term Debt (continued)

Habitat's facility at 155 Bermondsey Road has financing consisting of a mortgage payable secured by collateral mortgage. Interest on these loans amounting to $119,171 (2018 - $124,428) is included with facilities expense.

Total interest for the year was $851,444 (2018 - $624,730). Of that amount $197,035 (2018 - $111,986) was capitalized to projects (Note 3), $119,171 (2018 - $124,054) is included with facilities expense and $535,238 (2018 - $388,690) was included as interest expense.

Regular principal payments required over the next five years and thereafter are as follows:

2020	$ 2,014,116
2021	1,563,196
2022	2,113,822
2023	3,826,611
2024	1,301,735
Thereafter	14,236,912
	$ 25,056,392

8. Deferred Contributions

	2019	2018
Deferred ReStore revenue	**$ 40,476**	$ 21,105
Deferred contributions designated for projects	**290,912**	378,800
	$ 331,388	$ 399,905

9. Deferred Capital Contributions

	2019	2018
Balance, beginning of year	**$ 245,360**	$ 309,793
Amortization	**(16,381)**	(64,433)
Balance, end of year	**$ 228,979**	$ 245,360

10. Invested in Projects Under Development

Funds invested in projects under development consists of the following:

	2019	2018
Projects under development	**$ 18,030,506**	$ 18,087,204
Asset held for sale	**4,601,891**	4,601,891
Mortgages receivable	**35,992,987**	31,129,886
Less:		
Bank indebtedness	**(200,000)**	(200,000)
Deferred contributions	**(270,000)**	(378,800)
Long-term debt less 155 Bermondsey Road mortgage	**(21,293,246)**	(17,238,961)
	$ 36,862,138	$ 36,001,220

11. Invested in Capital Assets

Invested in capital assets consists of the following:

	2019	2018
Capital assets	**$ 6,104,738**	$ 6,178,089
Less:		
Deferred capital contributions	**(228,979)**	(245,360)
Long-term debt for 155 Bermondsey Road mortgage	**(3,720,753)**	(3,941,695)
Obligations under capital lease	**(274,753)**	(218,583)
Equipment loan	**(42,394)**	(53,066)
	$ 1,837,859	$ 1,719,385

12. Habitat for Humanity Canada

Habitat 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 gifts in kind coordination. Pursuant to the by-laws of HFHC which were updated effective March 10, 2015, Habitat pays an affiliation fee consisting of $50,000 per annum, 20% on all nationally procured gifts in kind used for homebuilding, 15% on nationally procured gifts in kind sold through the ReStores, 20% on nationally raised donations, and quarterly, a range of 2.5% to 4% of gross ReStore sales. Amounts due to HFHC under these various agreements but not yet paid, amounted to $20,651 (2018 - $84,813) and is included in accounts payable and accrued liabilities. In addition to supporting staff and volunteers participating in a Global Village build, Habitat also contributed to HFHC a tithe for international work in the amount of $2,000 per home.

13. Allocation of Support Expenses

Salaries, benefits, facility expenses and affiliation fees were allocated to various activities in Schedules 2, 3 and 4 as follows:

	Salaries and benefits	Facility	Affiliation fees	2019	2018
Administrative	$ 959,130	$ 93,511	$ 120,115	$ 1,172,756	$ 1,156,770
Fundraising	1,300,392	-	-	1,300,392	1,443,191
Program	1,951,845	166,818	528,335	2,646,998	2,647,867
Total	$ 4,211,367	$ 260,329	$ 648,450	$ 5,120,146	$ 5,247,828

Facilities expense includes rent, loan interest, realty taxes, utilities, insurance, amortization, maintenance and communication costs relating to Habitat's building located at 155 Bermondsey Road in Toronto.

Affiliation fees paid to Habitat for Humanity Canada relate to the agreement described in Note 12.

14. Lease Commitments

Minimum annual payments due under lease agreements for the 11 ReStore locations and the office for the next five years and thereafter are as follows:

2020	$ 1,140,856
2021	858,123
2022	681,156
2023	583,069
2024	550,380
Thereafter	262,212
	$ 4,075,796

15. Obligations Under Capital Lease

Habitat has entered into lease agreements for vehicles which requires monthly payments of principal and interest. The leases have interest rates ranging from 3.85% - 8.75% expiring in 2021 - 2025, at which time there is an option to purchase the assets. The lease is secured by the underlying assets.

The future minimum lease payments are as follows:

2020	$ 113,214
2021	71,473
2022	59,306
2023	42,069
2024	18,335
Thereafter	11,679
	316,076
Less: imputed interest	41,323
	274,753
Less: current portion	113,214
	$ 161,539

During the year, Habitat paid interest on the capital leases of $16,621 (2018 - $14,307).

16. Financial Instruments Risks

Credit risk

Credit risk is the risk that one party to a financial instruments will cause a financial loss for the other party by failing to discharge and obligation. Habitat is exposed to credit risk arising from its accounts receivable. Habitat is also exposed to credit risk arising in the event of non-payment of mortgages by the partner families. 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. This risk has not changed from the prior year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Habitat is exposed to interest rate risk on its fixed and variable interest rate financial instruments. The variable rate revolving demand credit facility exposes Habitat to a cash flow risk, while the fixed rate long-term debt subjects Habitat to a fair value risk. This risk has not changed from the prior year.

December 31, 2019

17. Contingencies

Habitat, 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 Habitat and its results of operations.

18. Subsequent Events

On January 15, 2020, the Board of Directors of Habitat for Humanity Greater Toronto Area and Habitat for Humanity Durham Inc. unanimously agreed to an amalgamation and the name of the amalgamated corporation remained Habitat for Humanity Greater Toronto Area.

On March 11, 2020, the World Health Organization declared the outbreak of the novel strain of coronavirus ("COVID-19") pandemic resulting in governments worldwide enacting emergency measures to combat the spread of the virus. As a result, economic uncertainties have arisen which are likely to negatively impact excess (deficiency) of revenue over expenditures in fiscal year 2020. Other financial impact could occur though such potential impact is unknown at this time.

Habitat for Humanity Greater Toronto Area
Schedule 1 - ReStore

December 31, 2019

	2019	2018
ReStore revenues	**$ 7,899,285**	$ 7,181,173
ReStore expenses		
Advertising	**15,333**	18,766
Amortization	**160,954**	171,947
Cleaning and disposal	**74,556**	73,476
Computer	**36,953**	33,642
Credit card commission	**72,344**	58,572
Facility	**53,424**	54,695
Insurance	**5,164**	4,849
(Gain) loss on disposal of capital assets	**(1,856)**	4,797
Office/Store	**117,431**	111,409
Other	**192,541**	131,581
Professional fees	**11,167**	780
Rent and utilities	**1,796,353**	1,668,910
Salaries and benefits	**3,090,253**	3,113,563
Truck and salvage	**170,052**	182,248
Total expenses	**5,794,669**	5,629,235
Net contribution	**$ 2,104,616**	$ 1,551,938

Habitat for Humanity Greater Toronto Area
Schedules 2, 3, 4

December 31, 2019

Schedule 2 - Administrative Expenditures

	2019	2018
Affiliation fees (Note 12)	**$ 120,115**	$ 112,625
Amortization	**27,308**	27,469
Computer service	**46,016**	80,773
Facility	**93,511**	103,163
Insurance	**3,179**	3,176
Office and general	**132,033**	120,724
Professional fees	**52,519**	54,662
Salaries and benefits	**959,130**	940,982
Total	**$ 1,433,811**	$ 1,443,574

Schedule 3 - Fundraising Expenditures

	2019	2018
Communications	**38,343**	45,554
Computer service	**30,540**	35,922
Donor recognition	**56,467**	80,280
Office and general	**210,144**	138,989
Professional fees	**-**	7,359
Salaries and benefits	**1,300,392**	1,443,191
Total	**$ 1,635,886**	$ 1,751,295

Schedule 4 - Program Expenditures

	2019	2018
Affiliation fees (Note 12)	**$ 528,335**	$ 502,498
Amortization	**94,288**	82,838
Communications	**93,660**	61,663
Computer service	**62,593**	69,443
Facility	**166,818**	169,279
Insurance	**13,908**	11,412
Interest	**518,617**	373,379
Office and general	**232,128**	280,045
Professional fees	**64,754**	31,930
Salaries and benefits	**1,951,845**	1,976,090
Warranty	**36,133**	59,376
Total	**$ 3,763,079**	$ 3,617,953