

HABITAT FOR HUMANITY GREY BRUCE
FINANCIAL STATEMENTS
DECEMBER 31, 2021

HABITAT FOR HUMANITY GREY BRUCE
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of **Habitat for Humanity Grey Bruce**:

Qualified Opinion

We have audited the financial statements of **Habitat for Humanity Grey Bruce** (the Organization), which comprise the statement of financial position as at December 31, 2021 and the statements of operations, changes in net assets and cash flow 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 Organization as at December 31, 2021, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

Habitat for Humanity Grey Bruce derives revenue from charitable donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization. Consequently, we were unable to determine whether any adjustments were necessary to revenues, excess of revenues over expenditures, and cash flows for the years ended December 31, 2021 and December 31, 2020 and assets and net assets as at December 31, 2021 and December 31, 2020. Our audit opinion for both years was modified accordingly because of the possible effect of this scope limitation.

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 the Organization 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 qualified opinion.

Emphasis of Matter

As described in Note 2, the financial statements of the Organization for the year ended December 31, 2021 have been amended to correct projects under development and gain on disposal of properties held for resale. The previous independent auditor's report, dated March 23, 2022, has been withdrawn.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements Continued

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.

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 Organization'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 Organization'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 the Organization 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.



Licensed Public Accountants
Chartered Public Accountants
Owen Sound, Ontario
May 3, 2022

HABITAT FOR HUMANITY GREY BRUCE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31


	2021	2020
	\$	\$
Assets		
Current		
Accounts receivable	760,018	90,358
HST receivable	160,342	114,218
Due from Habitat for Humanity Canada (Note 6)	14,598	1,514
Projects under development	628,143	869,222
Prepaid expenses	61,777	61,290
Current portion of first mortgages receivable (Note 5)	187,229	169,763
	1,812,107	1,306,365
First mortgages receivable (Note 5)	2,547,846	2,720,265
Property and equipment (Note 3)	1,904,089	1,908,563
	6,264,042	5,935,193


See accompanying notes to the financial statements

HABITAT FOR HUMANITY GREY BRUCE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31

	2021	2020
	\$	\$
Liabilities		
Current		
Bank overdraft (Note 7)	35,452	40,378
Bank loan - CEBA (Note 10)	40,000	30,000
Accounts payable and accrued liabilities	172,197	78,898
Government remittances payable	31,841	51,703
Current portion of long-term debt (Note 9)	<u>858,285</u>	<u>946,662</u>
	1,137,775	1,147,641
Deferred contributions and grants (Note 8)	<u>13,873</u>	<u>5,559</u>
	1,151,648	1,153,200
Net Assets		
Unrestricted	757,244	96,402
Investment in housing	3,363,220	3,759,250
Investment in capital assets	<u>991,930</u>	<u>926,341</u>
	5,112,394	4,781,993
	6,264,042	5,935,193

Approved on behalf of the board


 _____ Director


 _____ Director

HABITAT FOR HUMANITY GREY BRUCE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31

	Unrestricted \$	Investment in Housing \$	Investment in Capital Assets \$	2021 \$	2020 \$
Balance at beginning of year	96,402	3,759,250	926,341	4,781,993	4,301,143
Excess of revenue over expenses	737,062	(283,392)	(123,269)	330,401	480,850
Interfund transfers (Note 4)	(76,220)	(112,638)	188,858	-	-
Fund balance at end of year	757,244	3,363,220	991,930	5,112,394	4,781,993

See accompanying notes to the financial statements

HABITAT FOR HUMANITY GREY BRUCE

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31

	2021	2020
	\$	\$
Revenue		
Sales	995,849	1,235,786
Construction contract revenue	1,575,338	277,821
Cash donations	250,835	115,371
Delivery fees	15,339	39,236
Gift-in-kind donations	223,934	113,595
Fundraising	60,273	-
Grants	198,591	147,657
Recycled materials	34,516	36,476
Miscellaneous revenue	8,908	5,246
	3,363,583	1,971,188
Expenses		
Advertising, promotion and donations	36,765	63,722
Bank interest and charges	18,237	23,518
Construction costs	1,409,479	413,431
Conference, professional development and travel	3,832	1,290
Fundraising	14,039	-
Global Neighbours Alliance contribution (Note 6)	15,000	15,000
Habitat for Humanity Canada fees (Note 6)	83,716	88,473
Health and safety	7,228	7,381
Insurance	30,442	18,074
Occupancy costs	91,418	101,894
Office and telephone	38,184	29,642
Professional services	21,712	18,966
Vehicle	104,009	91,837
Volunteer	28,369	7,919
Wages and employee benefits	936,850	943,219
	2,839,280	1,824,366
Excess of revenue over expenses before other income (expense)	524,303	146,822
Other income (expense)		
Gain (loss) on disposal of property and equipment	-	5,905
Gain on disposal of properties held for resale	384,867	22,433
Amortization of deferred capital contributions	2,187	695
Amortization	(94,219)	(96,056)
Mortgage discount	(668,258)	267,508
Government subsidies (Note 10)	181,521	133,543
	(193,902)	334,028
Excess of revenue over expenses for the year	330,401	480,850

See accompanying notes to the financial statements

HABITAT FOR HUMANITY GREY BRUCE
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31

	2021 \$	2020 \$
Cash provided by (used for)		
Operating activities		
Excess of revenue over expenses	330,401	480,850
Items not involving cash		
Amortization	94,219	96,056
Amortization of deferred capital contributions	(2,186)	(695)
Gift-in-kind donations received	(223,934)	(113,595)
Mortgage discount	668,258	(267,508)
Gain on disposal of property and equipment	-	(5,905)
Gain on disposal of property held for resale	(384,867)	(22,433)
	<u>481,891</u>	<u>166,770</u>
Change in		
Accounts receivable	(669,660)	210,969
HST receivable	(46,124)	39,137
Prepaid expenses	(486)	(28,462)
Due to Habitat for Humanity Canada	(13,084)	(161)
Deferred revenue	-	(57,877)
Accounts payable and accrued liabilities	93,299	(310,091)
Government remittances payable	(19,862)	23,559
	<u>(174,026)</u>	<u>43,844</u>
Financing activities		
Proceeds from CEBA loan net of forgivable portion	10,000	30,000
Deferred contributions related to equipment	10,500	-
Repayment of long-term debt	(88,377)	(87,566)
	<u>(67,877)</u>	<u>(57,566)</u>
Investing activities		
Acquisition of property and equipment	(89,744)	(92,445)
First mortgage receivable	(513,306)	(35,806)
Projects under development	625,945	(165,253)
Gift-in-kind donations invested in housing	223,934	113,595
	<u>246,829</u>	<u>(179,909)</u>
Change in cash during year	4,926	(193,631)
Cash (deficiency) at beginning of year	<u>(40,378)</u>	<u>153,253</u>
Cash (deficiency) at end of year	<u>(35,452)</u>	<u>(40,378)</u>

See accompanying notes to the financial statements

HABITAT FOR HUMANITY GREY BRUCE
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021

PURPOSE AND STATUS

Habitat for Humanity Grey Bruce (HFHGB) is an affiliate member of Habitat for Humanity Canada (HFHC) whose purpose is to create opportunity for people to thrive through innovative housing solutions.

The Organization was incorporated in 1990 without share capital by letters patent issued under the Corporations Act of Ontario. The Organization has received tax-exempt status as a registered charitable organization under the Canadian Income Tax Act.

1. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies applied in accordance with these standards are as follows:

(a) Cash and cash equivalents

The Organization's policy is to include bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn.

(b) Inventory

In line with the accounting policy of Habitat for Humanity Canada, ReStore inventory is not valued since all items are donated and would not otherwise have been purchased. There was a significant value of new and used items on hand at year end.

(c) Property and equipment and amortization

Property and equipment are stated at cost if individually valued over \$2,500. Items with values under this threshold are expensed. Provision is made for amortization under the diminishing balance method using the following annual rates:

Buildings	4%
Signage	30%
Vehicles	30%
Furniture and equipment	20%
Construction equipment	20%

(d) Projects under development

Projects under development, which include land, building, building materials and purchased third party services, are recorded at the lower of cost and net realizable value for items purchased and estimated fair market value for items donated. If the combined values of items purchased and donated exceeds the anticipated selling price of a home, the value in inventory is adjusted to the anticipated selling price.

(e) Mortgages receivable

Mortgages receivable are reported at fair market value at inception. Subsequent measurement at each year end is at fair value using a net present value method. This method discounts the expected mortgage payments by the rate of inflation in order to provide an estimate of the present value of the non-interest bearing mortgages receivable. The change between estimated present values at year end is reported as a mortgage discount on the statement of revenue and expenses.

Each mortgage is assessed for impairment at year end. If there are events or circumstances that indicate that a mortgage receivable may be impaired, its value is decreased to reflect this impairment. If the value increases in a future period, the mortgage may subsequently be written up past the original carrying amount based on the net present value calculation.

HABITAT FOR HUMANITY GREY BRUCE
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021

1. Significant accounting policies (continued)

(f) Revenue recognition

Habitat for Humanity Grey Bruce follows the deferral method of accounting for contributions.

Restricted contributions are 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. Accordingly, donations and pledges to donate funds to the organization are not recorded until the funds are received. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis and at rates corresponding to those of the related capital assets.

Restore revenue is recorded at point of sale. E-waste revenue is recorded in the month e-waste recycling is picked up by the e-waste processor.

The sale of homes is recorded when the homes are sold and title is transferred to homeowners.

Revenue earned under contracts to provide construction services on land not owned by the Organization are recorded using the completed contract method.

Government subsidies are recognized where there is reasonable assurance that the subsidy will be received and all attached conditions will be complied with. The Organization recognizes the subsidy as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

(g) Donated property, goods and services

Donated materials and services are recorded when a fair value can be reasonably estimated and they would otherwise be purchased if not donated. Gifts-in-kind of \$148,934 (2020 - \$113,595) have been included in donation revenue, capital assets and properties under development.

In addition to the recorded gift-in-kind donations, the Organization received donation of goods that have not been recognized in the financial statements. All items sold in the ReStore are of this nature.

(h) Contributed services

A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. Because of the difficulty of determining the fair value, contributed time has not been reflected in these financial statements.

(i) Financial instruments

The Organization, with the exception of mortgages receivable, initially measures its financial assets and liabilities at fair value and subsequently measures its financial assets and financial liabilities at amortized cost. Mortgage receivables are measured at fair value.

Financial assets measured at amortized cost include cash, accounts receivable and due from HFHC. Financial liabilities measured at amortized cost include bank overdraft, bank loan - CEBA, accounts payable, and long term debts.

(j) 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 amounts reported in the financial statements and accompanying notes. Estimates are used when accounting for items and matters such as fair value of mortgage receivables, the value of donated goods, amortization, and recoverability of mortgages. Actual results may differ from best estimates as additional information becomes available in the future and adjustments, if any, are recorded as that information becomes known.

HABITAT FOR HUMANITY GREY BRUCE
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021

1. Significant accounting policies (continued)

(k) Fund accounting

The Unrestricted fund represents the revenues and expenses of the Organization's operations, administration and fundraising activities.

The Investment in Housing fund represents the mortgage discount of the Organization's mortgages receivable and the projects under development.

The Investment in Capital Assets fund represents the net investment in capital assets.

2. Amendment to previously issued financial statements

The previously issued December 31, 2021 financial statements dated March 23, 2022 have been restated for the correction of an error that was discovered after the financial statements were issued. A portion of the cost of a property sold in the year was left in an asset account, property under development. The correction resulted in the following:

- Property under development decreased \$84,187
- Investment in housing fund decreased \$84,187
- Gain on disposal of properties held for resale decreased \$84,186
- Excess of revenue over expenses for the year decreased \$84,186

3. Property and equipment

	2021	2020
	\$	\$
Cost		
Land	371,770	371,770
Buildings	1,883,820	1,830,250
Signage	5,956	5,956
Vehicles	87,494	87,494
Furniture and equipment	45,835	20,170
Construction equipment	89,309	78,799
	2,484,184	2,394,439
Accumulated amortization		
Buildings	434,835	359,983
Signage	5,539	5,360
Vehicles	70,805	63,652
Furniture and equipment	18,399	14,748
Construction equipment	50,517	42,133
	580,095	485,876
	1,904,089	1,908,563

4. Interfund transfers

During the year, \$188,858 was transferred to the Investment in Capital Asset Fund to fund building and equipment additions. To fund the additions \$112,638 was transferred from the Housing Fund, and a further \$76,220 from the Unrestricted Fund.

HABITAT FOR HUMANITY GREY BRUCE
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021

5. Mortgages receivable

First mortgages receivable are as follows:

	2021	2020
	\$	\$
Face value of first mortgages	3,964,004	3,450,698
Less: present value adjustment on first mortgages	1,228,929	560,670
Present value of first mortgages	2,735,075	2,890,028
Less: current portion	187,229	169,763
	2,547,846	2,720,265

Principal due within each of the next five years is as follows:

2022	\$	187,229
2023		187,229
2024		195,683
2025		194,783
2026		187,229
Thereafter		3,011,851

First mortgages receivable are repayable monthly over a period of up to 30 years. The first mortgages are interest-free and secured by a charge on the specific property. Monthly repayments are reviewed annually and adjusted accordingly based on a means test.

The inflation rate used to discount the first mortgages is the core consumer price index which was 4.0% as at December 31, 2021 (1.5% as at December 31, 2020).

Second mortgages receivable are as follows:

	2021	2020
	\$	\$
Second mortgages receivable at face value	308,462	308,462
Less: present value of adjustments on second mortgages	308,462	308,462
Present value of second mortgage receivable	-	-

Prior to 2009, at the time a house was sold, the homeowner provided a first mortgage which was determined based on a formula using the cost of construction of the home. The home was then appraised and the difference between the appraised value and the first mortgage was the amount assigned to the second mortgage given by the homeowner.

Given that the overall intent was to forgive the second mortgages, these balances have not been reflected in these financial statements. However, repayment is contingent upon the occurrence of certain events and any amount subsequently realized is recognized as income in the period received.

HABITAT FOR HUMANITY GREY BRUCE
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021

6. Related party balances

Habitat for Humanity Grey Bruce (HFHGB) is a related party of Habitat for Humanity Canada (HFHC) by being a duly authorized affiliate of HFHC. There is a covenant agreement between HFHC and HFHGB which sets the general operating principles for the affiliate. HFHC provides the affiliate with administrative and marketing support, training opportunities and gift-in-kind coordination. A system of fees is paid by the affiliate, and in turn, HFHC provides support and assistance with best practices for the affiliate and helps to coordinate corporate donations for the ReStores. HFHC also reviews the local affiliate on a regular basis to ensure its operations meet the criteria to maintain its affiliate status.

The amount due from HFHC is due on demand and non-interest bearing. Gifts in kind for builds are valued at contractors' pricing. Fees are per agreement of the related parties and measured at exchange amount. Amounts for the donations are at the amounts received from the arm's length parties involved.

During the year HFHGB received \$294,532 (2020 - \$164,802) from HFHC which included \$97,281 (2020 - \$87,005) related to gifts-in-kind. At December 31, 2021 \$Nil (2020 - \$Nil) of these receipts have been included in deferred revenue.

During the year, HFHGB paid \$98,716 (2020 - \$106,706) to HFHC for services rendered under the covenant agreement. Which included their fees, Global Neighbours Alliance contribution, and other costs.

7. Security on loans and authorized credit limits

A general security agreement over all personal property of the Organization, a collateral mortgage of \$850,000 on the property located in Owen Sound, a collateral mortgage of \$300,000 on the property located in Port Elgin, a collateral mortgage of \$569,900 on the property located in Hanover, the assignment of fire insurance policies on said properties and the assignment of certain mortgage receivable balances are security for the bank operating line of credit and demand loans. At December 31, 2021 \$25,452 (2020 - \$40,378) of an authorized operating line of credit of \$250,000 was in use. The Organization has an additional construction line of credit of \$250,000 which as at December 31, 2021 is \$Nil (2020 - \$Nil).

8. Deferred capital contributions

Deferred Contributions related to property and equipment includes the unamortized portions of restricted contributions with which the property and equipment were originally purchased.

	2021	2020
	\$	\$
Balance beginning of the year	5,559	6,255
Additions in the year	10,500	-
Amounts amortized to revenue	(2,186)	(696)
	13,873	5,559

HABITAT FOR HUMANITY GREY BRUCE
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021

9. Long-term debt

	2021	2020
	\$	\$
(a) Demand loan payable, Meridian Credit Union, repayable in monthly payments of \$1,495 plus interest of prime plus 1.00%	169,659	187,684
(b) Demand loan payable, Meridian Credit Union, repayable in monthly payments of \$2,614 plus interest of prime plus 1.00%	377,853	416,835
(c) Demand loan payable, Meridian Credit Union, repayable in monthly payments of \$3,249 plus interest of prime plus 1.00	310,773	342,143
	858,285	946,662
Less: current portion	858,285	946,662
	-	-

Management does not expect the demand feature to be exercised. Scheduled principal payments expected within each of the next five years is as follows:

2022	\$	88,296
2023		88,296
2024		88,296
2025		88,296
2026		88,296
Thereafter		416,805

10. Government subsidies

The Organization applied for the Canada Emergency Business Account ("CEBA"), made available by the federal government as a loan due to the Covid-19 pandemic. The organization's application was successful and \$20,000 was received in 2021 (2020 - \$40,000). If the amount received is repaid on or before December 31, 2023 no interest is payable and \$20,000 of the loan will be forgiven. Any remaining balances after December 31, 2023 will be converted to a three-year term loan with a fixed interest rate of 5% per annum. As there is reasonable assurance the loan will be repaid by December 31, 2023 the forgivable portion \$10,000 (2020 - \$10,000) of the loan has been recognized in income as a government subsidy.

The Organization also applied for the Canada Emergency Wage Subsidy ("CEWS"), which was launched by the Canadian federal government to qualifying employers to subsidize payroll costs during the Covid-19 pandemic. The qualified amounts received under the CEWS program, while subject to CRA review, are non-repayable. The Organization applied for \$171,521 related to the period of January 1, 2021 to July 31, 2021 of which the total amount was recognized in income as a government subsidy.

11. Significant event

The impact of Covid-19 in Canada and on the global economy is significant. As the impacts of Covid-19 continue, there could be further impact on the Organization that could impact the Organization's future operations. At this time, the full potential impact of Covid-19 on the Organization is not known. Given the dynamic nature of these circumstances and the duration of disruption, the related financial impact cannot be reasonably estimated. The Organization's ability to operate restore locations will depend on the legislative mandates from the various levels of government. The Organization will continue to focus on creating opportunities for people to thrive through innovative housing solutions in the community within the guidelines. Due to restrictions during the year, the restores were closed for the first six weeks of the year, then closed again for another eight weeks starting April 2021. This has had a negative impact on Restore sales, but reduced wages and government subsidies have helped minimize the impact.

HABITAT FOR HUMANITY GREY BRUCE
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021

12. Commitments

The Organization has committed to build seven detached houses on behalf of the Saugeen First Nation in 2022.

13. Financial instruments

(a) Credit risk

Credit Risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from the first mortgages receivable. The Organization's very purpose exposes it to credit risk since the people it serves would not otherwise be able to afford their own home. The Organization manages its credit risk by securing the mortgages receivable against the property that the mortgage is issued for.

The Organization is also exposed to credit risk in connection with the collection of its accounts receivable. The Organization mitigates this risk by maintaining credit approval and payment policies and by billing projects on an ongoing basis as work is completed. The Organization does not anticipate a significant loss for non-collection of accounts receivable. There has been little change to the Organization's credit risk exposure from the prior year. The current allowance for accounts receivable is \$Nil (2020 - \$Nil).

(b) 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. The Organization is exposed to interest rate risk due to the variable rate interest on their bank overdraft and demand bank loans. Changes in prime lending rates can cause fluctuations in interest expense.

(c) Liquidity risk

Liquidity risk is the risk that the Organization encounters difficulty meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that the Organization will not have sufficient funds to settle a transaction on the due date, will be forced to sell financial assets at a value which is less than what they are worth, or will be unable to settle or recover a financial asset. Liquidity risk arises from the Organization's current and long-term liabilities and is dependent on the collection of receivables and the raising of funds to meet commitments and sustain operations. The Organization controls liquidity risk by the management of working capital and the availability of borrowing facilities.

(d) Other price risk

Other Price Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than that arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer.

Other price risk arises from the interest free mortgage receivables. The expected future payments are discounted by the core consumer price index at each year end in order to determine their fair value. Each year family financial circumstances are reviewed and mortgage payments change accordingly. The exposure to other price risk changes with changes in the cost of living as determined by the components that make up the core consumer price index and as family financial situations change. Additionally, the value of the security of the mortgage receivables can fluctuate due to changes in the housing market.