# HABITAT FOR HUMANITY GREY BRUCE

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2025**

bakertilly

# 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, 2025 and the statements of changes in net assets, operations 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, 2025, 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, 2025 and December 31, 2024 and assets and net assets as at December 31, 2025 and December 31, 2024. 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.

## 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.

Baker Tilly SGB LLP

Licensed Public Accountants
Chartered Public Accountants
Owen Sound, Ontario
April 13, 2026

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

| | 2025<br>$ | 2024<br>$ |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash | **1,331,268** | 293,117 |
| Short term investments (Note 3) | **1,460,244** | 868,319 |
| Accounts receivable | **74,314** | 620,607 |
| HST receivable | **194,796** | 175,828 |
| Projects under development and held for resale | **1,178,179** | 922,815 |
| Prepaid expenses | **53,060** | 54,773 |
| Current portion of first mortgages receivable (Note 5) | **310,434** | 206,685 |
| | **4,602,295** | 3,142,144 |
| First mortgages receivable (Note 5) | **2,972,533** | 2,889,936 |
| Property and equipment (Note 2) | **1,698,713** | 1,789,699 |
| | **9,273,541** | 7,821,779 |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accrued liabilities | **144,378** | 217,159 |
| Government remittances payable | **49,134** | 43,379 |
| Deferred revenue (Note 9) | **1,633,794** | 174,006 |
| Current portion of long-term debt (Note 10) | **403,191** | 509,832 |
| | **2,230,497** | 944,376 |
| Deferred contributions and grants (Note 8) | **28,789** | 50,902 |
| | **2,259,286** | 995,278 |
| **Net Assets** | | |
| Unrestricted | **691,077** | 1,187,107 |
| Internally restricted | **1,065,000** | 565,000 |
| Investment in housing | **3,991,447** | 3,845,430 |
| Investment in capital assets | **1,266,731** | 1,228,964 |
| | **7,014,255** | 6,826,501 |
| | **9,273,541** | 7,821,779 |

Approved on behalf of the board

SEDL ____________ Director

____________ Director

See accompanying notes to the financial statements

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

| | Unrestricted $ | Internally Restricted $ | Investment in Housing $ | Investment in Capital Assets $ | 2025 $ | 2024 $ |
|---|---|---|---|---|---|---|
| Fund balance at beginning of year | 1,187,107 | 565,000 | 3,845,430 | 1,228,964 | **6,826,501** | 6,735,512 |
| Excess of revenue over expenses | 157,981 | - | 146,017 | (116,244) | **187,754** | 90,989 |
| Interfund transfers (Note 4) | (654,011) | 500,000 | - | 154,011 | **-** | - |
| Fund balance at end of year | 691,077 | 1,065,000 | 3,991,447 | 1,266,731 | **7,014,255** | 6,826,501 |

See accompanying notes to the financial statements

# HABITAT FOR HUMANITY GREY BRUCE
## STATEMENT OF OPERATIONS
## FOR THE YEAR ENDED DECEMBER 31

| | 2025<br>$ | 2024<br>$ |
|---|---|---|
| **Revenue** | | |
| Sales | **1,109,044** | 1,202,043 |
| Construction contract revenue | **268,885** | 875,643 |
| Critical repair revenue | **990,704** | 881,101 |
| Donations (Note 6) | **296,403** | 272,936 |
| Delivery fees and remove program | **12,455** | 7,790 |
| Gift-in-kind donations (Note 6) | **46,328** | 30,210 |
| Fundraising | **105,437** | 51,794 |
| Grants and subsidies | **323,557** | 331,147 |
| Recycled materials | **36,486** | 31,426 |
| Training revenue | **1,500** | - |
| | **3,190,799** | 3,684,090 |
| **Expenses** | | |
| Advertising, promotion and donations | **22,660** | 35,887 |
| Bank interest and charges | **12,883** | 31,284 |
| Construction costs | **892,801** | 1,186,102 |
| Conference, professional development and travel | **7,678** | 6,439 |
| Fundraising | **29,775** | 16,686 |
| Global Neighbours Alliance contribution (Note 6) | **15,000** | 30,000 |
| Habitat for Humanity Canada fees (Note 6) | **90,384** | 93,572 |
| Health and safety | **15,552** | 14,077 |
| Insurance | **39,155** | 34,745 |
| Occupancy costs | **122,835** | 115,567 |
| Office and telephone | **62,179** | 61,213 |
| Professional services | **29,937** | 25,591 |
| Vehicle | **162,066** | 165,774 |
| Volunteer | **47,338** | 78,604 |
| Wages and employee benefits | **1,556,620** | 1,694,919 |
| | **3,106,863** | 3,590,460 |
| Excess of revenue over expenses before other income | **83,936** | 93,630 |
| Other income (expense) | | |
| Loss on disposal of property and equipment | **-** | (410) |
| Gain on disposal of properties held for resale | **90,020** | 201,013 |
| Investment income (Note 3) | **46,891** | 53,438 |
| Amortization of deferred capital contributions | **22,113** | 20,785 |
| Amortization of property and equipment | **(111,203)** | (127,305) |
| Mortgage discount | **55,997** | (150,162) |
| | **103,818** | (2,641) |
| **Excess of revenue over expenses for the year** | **187,754** | 90,989 |

See accompanying notes to the financial statements

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

| | 2025<br>$ | 2024<br>$ |
|---|---|---|
| **Cash provided by (used for)** | | |
| **Operating activities** | | |
| Excess of revenue over expenses | **187,754** | 90,989 |
| Items not involving cash | | |
| Amortization | **111,203** | 127,305 |
| Amortization of deferred capital contributions | **(22,113)** | (7,026) |
| Gift-in-kind donations received | **(46,328)** | (30,210) |
| Mortgage discount | **(55,997)** | 150,162 |
| Loss on disposal of property and equipment | **-** | 410 |
| Gain on disposal of property held for resale | **(90,020)** | (201,013) |
| | **84,499** | 130,617 |
| Change in | | |
| Accounts receivable | **546,293** | (172,958) |
| HST receivable | **(18,968)** | 49,681 |
| Prepaid expenses | **1,714** | (38,776) |
| Due to Habitat for Humanity Canada | **-** | 961 |
| Deferred revenue | **1,459,788** | (156,261) |
| Accounts payable and accrued liabilities | **(72,781)** | 9,905 |
| Government remittances payable | **5,755** | 21,005 |
| | **2,006,300** | (155,826) |
| **Financing activities** | | |
| Repayment of CEBA loan | **-** | (40,000) |
| Repayment of long-term debt | **(106,642)** | (58,979) |
| | **(106,642)** | (98,979) |
| **Investing activities** | | |
| Acquisition of property and equipment | **(20,216)** | (6,954) |
| Proceeds on sale of property and equipment | **-** | 5,000 |
| Acquisition of short term investments | **(591,926)** | (98,120) |
| First mortgage receivable | **(130,349)** | (527,316) |
| Projects under development | **(165,344)** | 391,241 |
| Gift-in-kind donations invested in housing | **46,328** | 30,210 |
| | **(861,507)** | (205,939) |
| **Change in cash during year** | **1,038,151** | (460,745) |
| Cash at beginning of year | **293,117** | 753,862 |
| **Cash at end of year** | **1,331,268** | 293,117 |

See accompanying notes to the financial statements

**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.

## 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 sales and delivery fees are recorded at point of sale. E-waste revenue is recorded in the month e-waste recycling is picked up by the e-waste processor. Critical repair revenue is recognized when service is completed.

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

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

### (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 $30,210 (2024 - $93,329) have been included in donation revenue and either capital assets or properties under development.

In addition to the recorded gift-in-kind donations, HFHGB received donations 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 using net present value method.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and long term debt.

Investments in guaranteed investment certificates are measured at amortized cost, which approximates fair market value.

## 1. Significant accounting policies (continued)

### (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.

### (k) Fund accounting

The Unrestricted fund represents the revenues and expenses of HFHGB operations, administration and fundraising activities.

The Internally restricted fund represents surplus funds to be used for future projects.

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

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

## 2. Property and equipment

| | 2025<br>$ | 2024<br>$ |
|---|---|---|
| Cost | | |
| Land | **371,770** | 371,770 |
| Buildings | **1,886,354** | 1,886,354 |
| Signage | **5,956** | 5,956 |
| Vehicles | **263,298** | 263,298 |
| Furniture and equipment | **73,005** | 52,788 |
| Construction equipment | **97,104** | 97,104 |
| | **2,697,487** | 2,677,270 |
| Accumulated amortization | | |
| Buildings | **704,030** | 641,801 |
| Signage | **5,856** | 5,813 |
| Vehicles | **177,456** | 140,667 |
| Furniture and equipment | **38,566** | 32,483 |
| Construction equipment | **72,866** | 66,807 |
| | **998,774** | 887,571 |
| | **1,698,713** | 1,789,699 |

## 3. Short-term investments

Short term investments consist of guaranteed investment certificates held at Meridian credit union bearing interest between 2.75% and 3.35% with maturity dates between July 9, 2026 and November 4, 2026.

## 4. Interfund transfers and payables

During the year, $154,011 was transferred from the Unrestricted fund to the Investment in Capital Asset fund of which $20,216 was to fund building and equipment additions and $133,795 was transferred to fund loan payments. An amount of $500,000 was transferred from the Unrestricted fund to the Internally Restricted fund to fund upcoming new build projects. As of December 31, there was a balance of $1,153,220 owing to the Investment in Housing fund from the Unrestricted fund.

## 5. Mortgages receivable

First mortgages receivable are as follows:

| | 2025<br>$ | 2024<br>$ |
|---|---|---|
| Face value of first mortgages | **4,208,454** | 4,078,105 |
| Less: present value adjustment on first mortgages | **925,487** | 981,484 |
| Present value of first mortgages | **3,282,967** | 3,096,621 |
| Less: current portion | **310,434** | 206,685 |
| | **2,972,533** | 2,889,936 |

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

| | |
|---|---|
| 2026 | $ 310,434 |
| 2027 | 305,328 |
| 2028 | 272,947 |
| 2029 | 260,610 |
| 2030 | 249,385 |
| Thereafter | 2,809,750 |
| | 4,208,454 |

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 2.6% as at December 31, 2025 (2.1% as at December 31, 2024).

Second mortgages receivable are as follows:

| | 2025<br>$ | 2024<br>$ |
|---|---|---|
| Second mortgages receivable at face value | **194,559** | 308,462 |
| Less: present value of adjustments on second mortgages | **194,559** | 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.

## 6. Related party transactions

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.

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 $276,342 (2024 - $312,171) from HFHC which included $41,525 (2024 - $13,000) related to gifts-in-kind. At December 31, 2025 $22,120 (2024 - $13,416) of these receipts have been included in deferred revenue.

During the year, HFHGB paid $105,384 (2024 - $123,538) 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 HFHGB a collateral mortgage of $850,000 on the property located in Owen Sound, 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, 2025 $Nil (2024 - $Nil) of an authorized operating line of credit of $250,000 was in use. HFHGB has an additional construction line of credit of $250,000 which as at December 31, 2025 is $Nil (2024 - $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.

| | **2025**<br>**$** | 2024<br>$ |
|---|---|---|
| Balance beginning of the year | **50,902** | 57,927 |
| Additions in the year | **-** | 13,760 |
| Amounts amortized to revenue | **(22,113)** | (20,785) |
| | **28,789** | 50,902 |

## 9. Deferred revenue

Deferred revenue represents donations and grants restricted by the contributor for a specific purpose that were not spent at year end.

Continuity schedule as follows:

| | **2025** | 2024 |
|---|---|---|
| | **$** | $ |
| Deferred revenue at beginning of year | **174,006** | 330,267 |
| Restricted program revenue received during year | **1,837,404** | 174,006 |
| Restricted program revenue recognized during year | **(377,616)** | (330,267) |
| Deferred revenue at end of year | **1,633,794** | 174,006 |

Deferred revenue is comprised of the following:

| | **2025** | 2024 |
|---|---|---|
| | **$** | $ |
| Aspire program | **2,000** | - |
| Westinghouse grant | **8,874** | - |
| Chippewas of Nawash Unceded First Nation - build in progress | **-** | 174,006 |
| Saugeen First Nation - build in progress | **1,502,920** | - |
| Bruce Power grant | **120,000** | - |
| | **1,633,794** | 174,006 |

## 10. Long-term debt

| | **2025** | 2024 |
|---|---|---|
| | **$** | $ |
| (a) Demand loan payable, Meridian Credit Union, repayable in monthly blended payments of $4,204 bearing interest at 6.05% | **244,263** | 279,049 |
| (b) Demand loan payable, Meridian Credit Union, repayable in monthly payments of $3,405 bearing interest at 4.60% | **158,927** | 230,783 |
| | **403,190** | 509,832 |
| Less: current portion | **403,190** | 509,832 |
| | **-** | - |

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

| | |
|---|---|
| 2026 | $ 60,655 |
| 2027 | 68,124 |
| 2028 | 71,990 |
| 2029 | 76,078 |
| 2030 | 80,403 |
| Thereafter | 45,940 |
| | 403,190 |

## 11. Commitments

HFHGB will complete the building of 5 detached homes on behalf of the Saugeen First Nation in 2026. Activity related to this build in 2025 are revenue received of $1,502,920, included in deferred revenue and the expenses of $616,524, included in projects under development.

## 12. 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. HFHGB very purpose exposes it to credit risk since the people it serves would not otherwise be able to afford their own home. HFHGB manages its credit risk by securing the mortgages receivable against the property that the mortgage is issued for.

HFHGB is also exposed to credit risk in connection with the collection of its accounts receivable. HFHGB mitigates this risk by maintaining credit approval and payment policies and by billing projects on an ongoing basis as work is completed. HFHGB does not anticipate a significant loss for non-collection of accounts receivable. There has been little change to HFHGB credit risk exposure from the prior year. The current allowance for accounts receivable is $Nil (2024 - $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 on loans payable as they become due and are renewed. This exposes the Organization to a cash flow risk should rates increase.

### (c) Liquidity risk

Liquidity risk is the risk that HFHGB encounters difficulty meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that HFHGB 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 HFHGB current and long-term liabilities and is dependent on the collection of receivables and the raising of funds to meet commitments and sustain operations. HFHGB 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.