

**HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.**

**Financial Statements**

**Year Ended December 31, 2018**

**HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.**

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**Year Ended December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Habitat for Humanity Heartland Ontario Inc.

### *Qualified Opinion*

We have audited the financial statements of Habitat for Humanity Heartland Ontario Inc. (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and the 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*

In common with many charitable organizations, the organization derives revenue from donations and contributions, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation of scope.

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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating 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*

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.

*BDO Canada LLP*

London, Ontario  
May 21, 2019

Chartered Professional Accountants  
Licensed Public Accountants

**HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.****Statement of Financial Position****December 31, 2018**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 908,211	\$ 549,252
Amounts receivable	266,551	116,394
HST rebate recoverable	46,568	25,037
Prepaid expenses and deposits	52,682	37,140
Inventory (Note 4)	1,034,714	1,029,850
Current portion of first mortgages receivable (Note 6)	398,598	440,764
	2,707,324	2,198,437
Capital assets (Note 5)	433,032	223,769
First mortgages receivable (Note 6)	3,404,351	3,614,502
	\$ 6,544,707	\$ 6,036,708
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 177,076	\$ 243,869
Deferred contributions (Note 9)	432,454	220,311
Demand loans (Note 8)	286,380	382,380
	895,910	846,560
Deferred contributions related to capital assets (Note 10)	26,278	43,758
Lease inducement (Note 11)	57,000	-
	979,188	890,318
<b>NET ASSETS</b>	<b>5,565,519</b>	<b>5,146,390</b>
	\$ 6,544,707	\$ 6,036,708

LEASE COMMITMENTS (Note 12)

SECOND MORTGAGES RECEIVABLE (Note 7)

**ON BEHALF OF THE BOARD**\_\_\_\_\_  
Director\_\_\_\_\_  
Director

See notes to financial statements

**HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.****Statement of Changes in Net Assets****Year Ended December 31, 2018**

	2018	2017
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$ 5,146,390</b>	<b>\$ 4,592,758</b>
Excess of revenue over expenses	419,129	553,632
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 5,565,519</b>	<b>\$ 5,146,390</b>

**HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.****Statement of Operations****Year Ended December 31, 2018**

	2018	2017
<b>REVENUE</b>		
Restore operations	\$ 3,261,052	\$ 3,007,870
Home sales (Note 3)	599,261	775,050
Donations, grants and other	423,950	385,685
Other revenue (Note 3)	10,078	37,953
Build donations	129,092	284,881
Fundraising revenue	77,328	209,888
Accretion income on mortgages (Note 3)	229,305	222,484
	<b>4,730,066</b>	<b>4,923,811</b>
<b>EXPENSES</b>		
Restore operations	2,720,481	2,359,006
Salaries, wages and benefits	779,336	767,036
House costs - build (Notes 3, 4)	552,288	689,051
Land costs - build (Notes 3, 4)	173,577	260,606
Advertising, promotion & public relations	26,707	17,282
Office rent	72,488	62,818
Amortization of capital assets	62,903	19,405
Office	49,989	63,966
Professional fees	28,257	21,076
Contributions to Habitat for Humanity Canada Inc.	25,000	25,000
Telephone	19,790	25,855
Vehicle	19,505	21,793
Committee	8,645	3,155
Volunteer expenses	5,907	6,202
Repairs and maintenance	4,924	5,609
Insurance	4,738	4,177
Interest and bank charges	3,908	1,788
Fundraising expenses	51,208	30,091
	<b>4,609,651</b>	<b>4,383,916</b>
<b>EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<b>120,415</b>	<b>539,895</b>
<b>OTHER ITEMS</b>		
Gain on disposal of capital assets	298,714	3,737
Contribution of net assets received from Habitat for Humanity Stratford Perth	-	10,000
	<b>298,714</b>	<b>13,737</b>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<b>\$ 419,129</b>	<b>\$ 553,632</b>

See notes to financial statements

**HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.****Statement of Cash Flows****Year Ended December 31, 2018**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers, donors and other operations	\$ 4,677,688	\$ 4,448,422
Cash paid to suppliers, employees and others	(4,227,323)	(3,974,036)
Cash flow from operating activities	450,365	474,386
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(455,296)	(39,567)
Proceeds on disposal of capital assets	459,890	14,256
Cash flow from (used by) investing activities	4,594	(25,311)
<b>FINANCING ACTIVITY</b>		
Repayments on demand loan	(96,000)	(240,000)
<b>INCREASE IN CASH</b>	<b>358,959</b>	<b>209,075</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>549,252</b>	<b>340,177</b>
<b>CASH - END OF YEAR</b>	<b>\$ 908,211</b>	<b>\$ 549,252</b>

**Cash Flows - Supplemental Information****Cash receipts from customers, donors and other operations**

Donations received	\$ 428,380	\$ 461,454
ReStore income received	3,261,052	3,007,488
Mortgage payments and downpayments received	860,352	880,735
HST rebates received	127,904	98,745
	<u>\$ 4,677,688</u>	<u>\$ 4,448,422</u>

**Cash paid to suppliers, employees and others**

Expenses from operations	\$ 3,702,040	\$ 3,413,239
Purchase of land and development charges incurred	33,389	67,205
Costs incurred in construction	381,612	414,950
Interest paid	3,909	1,795
HST paid on expenses	106,373	76,847
	<u>\$ 4,227,323</u>	<u>\$ 3,974,036</u>

See notes to financial statements



# HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.

## Notes to Financial Statements

Year Ended December 31, 2018

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### 1. ORGANIZATION

The organization is incorporated, without share capital, under the Corporations Act of Ontario. On January 30, 2014 the organization filed an Application for Supplementary Letters Patent amending its name from Habitat for Humanity Oxford, Middlesex, Elgin Inc. to Habitat for Humanity Heartland Ontario Inc.

The primary objective of Habitat for Humanity Heartland Ontario Inc. is to advance the interest of the economically disadvantaged by providing, through constructing or renovating, safe, decent and affordable homes with an interest free mortgage. The prospective homeowners contribute "sweat equity" rather than a normal down payment.

The organization also operates six stores, with each operating under the name ReStore, for the sale of donated building materials and household furnishings the net proceeds of which are deployed to assist in the above objective.

Habitat for Humanity Heartland Ontario Inc. is a charitable organization registered under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

### 2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Revenue recognition - Home Sales

Revenue is recognized on the sale of the house at the net present value of the expected future cash flows from the mortgage at that time. For homes sold in 2009 and beyond, the new homeowner provides a first mortgage at the time the house is sold. The first mortgage value is determined based on the selling price of the home (based on appraised value) less any downpayments made by the new homeowner.

For homes sold prior to 2009, revenue was recognized as follows: at the time a house is sold, the new homeowner provides a first mortgage, which is based on a formula that uses the cost of construction of the home. The home is then appraised and the difference between the appraised value and the first mortgage is the amount of value assigned to the second mortgage given by the homeowner at that time. As repayment of the second mortgage is contingent upon the occurrence of certain events, no revenue or asset is recorded in the accounts of the organization with respect to the second mortgages at the time of sale. Any amount that is subsequently realized will be recorded as income in the period received.

On an annual basis the deemed income earned (accretion), which is based upon the discount rate used to calculate the net present value, is included in income. The organization also recognizes changes in the net present value of each mortgage on an annual basis, based upon any changes to the expected future mortgage payment schedules.

#### Revenue recognition - Other

The organization operates six retail stores known as the ReStore. Revenue from the ReStore is recognized when the customer takes possession of the goods and payment is received.

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# HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.

## Notes to Financial Statements

Year Ended December 31, 2018

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

#### Revenue recognition - Contributions

The organization uses the deferral method of accounting for contributions. In accordance with this method, the organization recognizes donations and other revenue at the time it is received, unless the donation is externally restricted. Restricted donations or grants are recognized as revenue when the expenses to which the donation or grant is intended to fund is incurred. Restricted contributions related directly to capital assets are deferred and amortized into revenue on the same basis as the related capital asset.

#### Cash

Cash consists of cash on hand and on deposit, less cheques issued and outstanding at the reporting date.

#### Inventory

Inventory of land held for development and under development is valued at the lower of cost and net realizable value. Cost is determined as the acquisition cost of the property, plus carrying charges and development and construction expenses. Net realizable value is the estimated selling price of the property less selling expenses.

#### Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Building	20 years
Computer equipment	3 years
Fencing	10 years
Leasehold improvements	5 years
Office equipment	3-5 years
Store equipment	3 years
Vehicles	3-5 years

When a tangible capital asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

#### Donated land, building materials and services

Donated land and building materials for constructing homes, which would otherwise be paid for by Habitat for Humanity Heartland Ontario Inc., are included in the cost of the project at fair market value. The value of new and used materials donated to the ReStore are not reflected in these financial statements. Net assets received from Habitat for Humanity Stratford Perth affiliate have been recognized at fair value.

A substantial number of volunteers have made significant contributions of their time to the organization's program and supporting services. The value of this contributed time is not reflected in these statements.

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## HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.

### Notes to Financial Statements

Year Ended December 31, 2018

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### Lease inducement

Lease inducements are amortized straight line over the term of the lease as a reduction of rent expense.

##### Measurement uncertainty

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in operations in the period in which they become known. Actual results could differ from these estimates.

##### Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in revenue. All other financial instruments are reported at amortized cost and tested for impairment at each reporting date. Transaction costs on the acquisition, sale or issue of financial instruments are expensed when incurred.

#### 4. INVENTORY

	2018	2017
Land inventory (8 lots; 2017 - 11 lots)	\$ 245,880	\$ 335,101
Subdivision development and site servicing costs	154,900	205,867
Homes under construction (3 homes; 2017 - 2 homes)	633,934	488,882
	<u>\$ 1,034,714</u>	<u>\$ 1,029,850</u>

Included in expenses are the costs associated with the construction of 3 homes (2017 - 5 homes) sold during the year as well as the land cost for those homes.

Inventory includes build in progress costs associated with builds on Forbes Street, London (2 homes) and in Ingersoll.

**HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.****Notes to Financial Statements****Year Ended December 31, 2018****5. CAPITAL ASSETS**

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ -	\$ -	\$ -	\$ 29,853
Building	-	-	-	124,078
Computer equipment	73,084	62,731	10,353	2,601
Fencing	-	-	-	628
Leasehold improvements	523,043	159,606	363,437	17,396
Office equipment	39,860	36,839	3,021	2,548
Store equipment	113,501	78,828	34,673	17,929
Vehicles	70,906	49,358	21,548	28,736
	\$ 820,394	\$ 387,362	\$ 433,032	\$ 223,769

\$40,420 (2017 - \$41,123) of amortization has been grouped into the ReStore operations expense on the Statement of Operations.

**HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.****Notes to Financial Statements****Year Ended December 31, 2018****6. FIRST MORTGAGES RECEIVABLE**

The organization has a number of first mortgages on the houses they have sold. These mortgages are provided to the mortgagors on an interest free basis. The organization reviews the payment terms on an annual basis based on the mortgagor's income and may adjust the payments accordingly. However, mortgages are fully open without penalty for prepayment at the option of the mortgagor. The annual payment amounts listed below reflect the updated current payment schedules for each mortgagor. The annual adjustments to the payments based on income will effect the actual term of the mortgages.

	2018
<b>The expected repayments are as follows:</b>	
2019	\$ 398,598
2020	378,010
2021	359,017
2022	335,288
2023	320,802
2024	305,088
2025	290,216
2026	282,158
2027	265,990
2028	228,426
2029	210,727
2030	193,866
2031	163,188
2032	155,816
2033	151,157
2034	146,951
2035	89,578
2036	125,503
2037	66,502
2038	61,678
2039	54,241
2040	54,711
2041	40,180
2042	171,933
2043 and thereafter	187,840
Total face value of mortgages	5,037,464
Less: Present value discount	(1,234,515)
Net book value of first mortgages receivable	3,802,949
Less: Current portion of first mortgages receivable	(398,598)
Long term portion of first mortgages receivable	\$ 3,404,351

## HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.

### Notes to Financial Statements

Year Ended December 31, 2018

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#### 7. SECOND MORTGAGES RECEIVABLE

The organization holds a number of second mortgages on the houses they have sold. These second mortgages are non-interest bearing and have no set monthly repayment terms. The mortgage may be reduced if certain conditions are met as per the following terms listed from each mortgage:

For mortgages entered into prior to 2009, "provided the mortgagors have completed the 'sweat equity' required and have not been in default of any conditions of the mortgage during the term of the mortgage, 25% of the original principal amount will be forgiven after a period of 12 years. Thereafter mortgage balances outstanding are forgiven in one of two ways as specified in their individual mortgage documents:

1. An additional 12.5% of the mortgage is forgiven each year thereafter until the full amount of the mortgage is forgiven, so long as the mortgagors have not defaulted at any point during this time and they have continued to occupy the mortgaged premises as their principal place of residence; or
2. At maturity, the balance of the original principal amount then outstanding shall be deducted and the mortgage deemed to be paid in full at the maturity date provided the mortgagor have not defaulted at any point during this time and they have continued to occupy the mortgaged premises as their principal place of residence.

For 2009 and beyond, no new second mortgages will be issued.

As the cash flow to be received from these second mortgages cannot be reasonably determined given the nature of the terms of these mortgages, no revenue or asset is recognized at the time the mortgage is issued. Revenue, if any, from a second mortgage would be realized at such time as it is determined that the mortgage is or will be collected, and it is likely that the amount is collectible from the mortgagor.

Maturity dates and outstanding balances of the second mortgages are as follows:

2019	\$ 79,585
2020	113,746
2021	26,949
2022	19,519
2023	45,567
Thereafter	<u>264,692</u>
	<u>\$ 550,058</u>

## HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.

### Notes to Financial Statements

Year Ended December 31, 2018

#### 8. DEMAND LOANS

The organization has the following credit facilities with Libro Credit Union:

1. A commercial term loan bearing interest at Libro prime plus 1.75%. The loan matures in December 2019. At December 31, 2018, \$286,380 (2017 - \$382,380) was outstanding on this facility.

2. A line of credit which can be drawn to a maximum of \$750,000, bearing interest at Libro prime plus 1.00% repayable on demand. The amount of the term loan drawn at December 31, 2018 was \$Nil.

3. A line of credit which can be drawn to a maximum of \$150,000, bearing interest at Libro prime plus 1.00% repayable on demand. The amount of the term loan drawn at December 31, 2018 was \$Nil.

The above Libro credit facilities are secured by a first collateral charge against lands and premises located at 1697 Highbury Avenue North in London in the amount of \$800,000 and an existing assignment of first mortgages held by the Organization on 8 properties located in London, first loss payee on the fire insurance policy over the mortgages that are secured and a general security agreement covering amounts receivable, inventory, motor vehicles and equipment.

The organization is subject to externally imposed capital requirement related to the above financing. Specifically, the organization must maintain a minimum Current Ratio of 1.5: 1, defined as current assets over current liabilities less callable debt. At December 31, 2018, the organization was in compliance with this covenant.

#### 9. DEFERRED CONTRIBUTIONS

	2018	2017
Deferred build revenue	\$ 402,950	\$ 220,311
Deferred grant revenue	25,000	-
Deferred rent received	4,504	-
	<u>\$ 432,454</u>	<u>\$ 220,311</u>

#### 10. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	2018	2017
Opening balance	\$ 43,758	\$ 68,739
Amounts amortized to revenue during the year	(17,480)	(24,981)
Balance - end of the year	<u>\$ 26,278</u>	<u>\$ 43,758</u>

#### 11. LEASE INDUCEMENT

The organization has entered into a lease for the Stratford ReStore that included an incentive equal to 8 months free rent. The result is an amount of \$12,666 being recognized annually as a reduction in rent over the term of the lease.

## HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.

### Notes to Financial Statements

Year Ended December 31, 2018

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#### 12. LEASE COMMITMENTS

The organization has 6 leases with respect to its premises (Adelaide St. ReStore, Woodstock ReStore, Pacific Court buildings, St. Thomas ReStore, and Stratford ReStore), which expire between February 2020 and June 2023. Future minimum lease payments as at December 31, 2018 are as follows:

2019	\$ 356,947
2020	276,457
2021	146,139
2022	104,500
2023	52,250
	<u>\$ 936,293</u>

#### 13. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments. The following analysis provides information about the organization's risk exposure and concentration at December 31, 2018. There have been no significant changes in the nature or concentration of the risk exposures from the prior year, unless otherwise noted.

##### 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. The organization is exposed to credit risk from customers and mortgagors. In order to reduce its credit risk, the organization reviews a new customer's or mortgagor's credit history before extending credit and conducts regular reviews of its existing customers' credit performance and monitors its mortgagors' monthly payment history and their annual incomes. The organization also reduces credit risk by securing the mortgages receivable against the property that the mortgage was issued for, which allows the organization to recover the property in the case that the mortgagor defaults.

##### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization manages its liquidity risk by forecasting its cash needs on a regular basis and seeking additional information based on those forecasts. The organization also has additional credit available to draw on as required in the short-term, as disclosed in note 8.

##### Market risk

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

##### Currency risk

Currency risk is the risk to the organization's earnings that arise from fluctuations of foreign exchange rates. The organization is not exposed to significant currency risk as it does not hold any financial instruments denominated in a foreign currency.

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## **HABITAT FOR HUMANITY HEARTLAND ONTARIO INC.**

### **Notes to Financial Statements**

**Year Ended December 31, 2018**

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#### **13. FINANCIAL INSTRUMENTS *(continued)***

##### **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 primarily through its mortgage receivables and term loan.

##### **Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. In management's opinion, the organization is not exposed to significant other price risk.

#### **14. SUBSEQUENT EVENTS**

Subsequent to year-end, the organization completed two land inventory purchase agreements. On January 17, 2019 the organization purchased land located on Highbury Avenue North in the City of London for a cost of \$700,000; and on April 16, 2019 the organization purchased 2 parcels of land in the City of St. Thomas for a cost of \$69,200. The land was purchased to support future builds. The lines of credit as described in Note 8 were partially utilized for these purchases.