

HABITAT FOR HUMANITY WATERLOO REGION INC.
Financial Statements
Year Ended December 31, 2025

HABITAT FOR HUMANITY WATERLOO REGION INC.
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Year Ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Habitat for Humanity Waterloo Region Inc.

Qualified Opinion

We have audited the financial statements of Habitat for Humanity Waterloo Region Inc. (the "organization"), which comprise the statement of financial position as at December 31, 2025, and the statements of changes in net assets, revenues and expenditures 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, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives a portion of its revenue from the general public in the form of donations and from the sale of donated materials (ReStore revenues), 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 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, 2025 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 ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

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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.



Waterloo, Ontario
May 6, 2026

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

HABITAT FOR HUMANITY WATERLOO REGION INC.

Statement of Financial Position

December 31, 2025

	2025	2024
ASSETS		
CURRENT		
Cash	\$ 1,468,412	\$ 1,462,628
Accounts receivable	158,832	472,067
Harmonized sales tax recoverable	188,232	-
Properties held for resale (Note 4)	391,412	-
Finished homes and construction in progress (Note 4)	6,147,845	935,573
Prepaid expenses	128,640	52,965
Current portion of mortgages receivable (Note 5)	395,000	380,000
	8,878,373	3,303,233
DUE FROM BUILD NOW: WATERLOO REGION (Note 3)	82,194	15,589
LOAN RECEIVABLE: BUILD NOW: WATERLOO REGION (Note 3)	100,000	100,000
PROPERTIES HELD FOR DEVELOPMENT (Notes 4, 6)	2,466,206	3,523,630
MORTGAGES RECEIVABLE (Note 5)	6,453,055	7,009,816
CAPITAL ASSETS (Note 7)	21,949	25,342
	\$ 18,001,777	\$ 13,977,610
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 897,786	\$ 267,214
Harmonized sales tax payable	-	477,899
Deferred revenue (Note 8)	1,234,575	1,130,505
Current portion of long term debt (Note 9)	600,000	-
	2,732,361	1,875,618
LONG TERM DEBT (Note 9)	3,000,000	-
	5,732,361	1,875,618
CONTINGENT LIABILITY (Note 15)		
NET ASSETS		
INVESTMENT IN HOME OWNERSHIP (Note 10)	10,377,298	10,718,514
INVESTMENT IN CAPITAL ASSETS (Note 7)	21,949	25,342
UNRESTRICTED	1,870,169	1,358,136
	12,269,416	12,101,992
	\$ 18,001,777	\$ 13,977,610

APPROVED ON BEHALF OF THE DIRECTORS

Susie Gutri

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY WATERLOO REGION INC.
Statement of Changes in Net Assets
Year Ended December 31, 2025

	<u>2025</u>	<u>2024</u>
NET ASSETS - BEGINNING OF YEAR	\$ 12,101,992	\$ 11,782,770
EXCESS OF REVENUES OVER EXPENSES	167,423	319,222
NET ASSETS - END OF YEAR	<u>\$ 12,269,415</u>	<u>\$ 12,101,992</u>

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY WATERLOO REGION INC.

Statement of Revenues and Expenditures

Year Ended December 31, 2025

	2025	2024
REVENUES		
Home Ownership (<i>Schedule 1</i>)	\$ 37,962	\$ 1,345,879
Fundraising (<i>Schedule 2</i>)	989,125	377,792
ReStore (<i>Schedule 3</i>)	1,902,539	2,118,894
Administration (<i>Schedule 4</i>)	152,092	172,919
	<u>3,081,718</u>	<u>4,015,484</u>
MORTGAGE ACCRETION (<i>Schedule 1</i>)	<u>631,454</u>	<u>704,793</u>
EXPENSES		
Home Ownership (<i>Schedule 1</i>)	881,405	1,744,490
Fundraising (<i>Schedule 2</i>)	240,528	242,880
ReStore (<i>Schedule 3</i>)	1,896,663	1,860,672
Administration (<i>Schedule 4</i>)	527,153	553,013
	<u>3,545,749</u>	<u>4,401,055</u>
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<u>\$ 167,423</u>	<u>\$ 319,222</u>

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY WATERLOO REGION INC.

Statement of Cash Flows

Year Ended December 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 167,423	\$ 319,222
Items not affecting cash:		
Amortization of capital assets	12,765	16,041
Mortgages issued on home sales and related income	-	(500,000)
Present value adjustment on new mortgages issued	-	326,446
Mortgage accretion	(631,454)	(704,793)
Cost of properties held for resale sold in the year	-	371,249
	<u>(451,266)</u>	<u>(171,835)</u>
Changes in non-cash working capital:		
Accounts receivable	313,235	(70,919)
Prepaid expenses	(75,675)	6,229
Finished homes and construction in progress	(4,040,159)	(251,751)
Accounts payable and accrued liabilities	630,574	27,479
Harmonized sales tax payable	(666,131)	44,097
Deferred revenues received	123,898	1,039,674
Deferred revenues recognized as income	(19,828)	(368,480)
	<u>(3,734,086)</u>	<u>426,329</u>
Cash flow from (used by) operating activities	<u>(4,185,352)</u>	<u>254,494</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(9,372)	(10,101)
Properties held for development - purchases and additional costs	(114,689)	(2,542,911)
Properties held for resale - option repurchase and additional costs	(95,404)	(512)
Receipts from mortgages receivable	877,206	1,452,582
Mortgage adjustments for additions and accrued costs on home sales	-	(171,186)
GICs cashed	-	1,400,000
	<u>657,741</u>	<u>127,872</u>
Cash flow from investing activities	<u>657,741</u>	<u>127,872</u>
FINANCING ACTIVITIES		
Advances to Build Now: Waterloo Region	(66,605)	(115,589)
Proceeds from long term financing	3,600,000	-
	<u>3,533,395</u>	<u>(115,589)</u>
Cash flow from (used by) financing activities	<u>3,533,395</u>	<u>(115,589)</u>
INCREASE IN CASH FLOW	5,784	266,777
Cash - beginning of year	<u>1,462,628</u>	<u>1,195,851</u>
CASH - END OF YEAR	\$ 1,468,412	\$ 1,462,628

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY WATERLOO REGION INC.

Notes to Financial Statements

Year Ended December 31, 2025

1. PURPOSE OF THE ORGANIZATION

Habitat for Humanity Waterloo Region Inc. (the "organization") is a not-for-profit organization incorporated without share capital by letters patent issued under the Ontario Corporations Act. As a registered charity the organization is exempt from the payment of income tax under Subsection 149(1) of the Income Tax Act.

The primary purpose of the organization is to bring people together to create affordable homeownership opportunities for families in the region by buying, constructing or renovating homes, and providing interest free mortgages with affordable payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Revenue recognition

Home ownership

Revenue from the sale of homes is recognized at the time the owner moves into the property, provided there is no uncertainty regarding the transfer of title and mortgage registration for the home. Because mortgages are issued to homeowners at 0% interest for an indefinite term based on geared-to-income principal payments, the mortgage receivable is discounted to reflect the fair value of these mortgages. The related mortgage receivable is discounted based on the rate for a 5 year conventional mortgage at the time of sale, plus 2%. The discount is also calculated assuming an expected average 25 year amortization at the time of issuance, regardless of the actual repayment terms. All discounts are subsequently recognized as mortgage accretion income on a pro-rata basis as the mortgages are repaid. Restricted donations which have been designated for construction projects are recognized as revenue when the sale of the related units is recognized. Government issued forgivable loans restricted for construction projects are recognized as revenue when the sale of the related units is recognized. Donations in kind for construction or the renovation of homes are recorded at estimated fair values when they can be reasonably determined. Program operating expenses are recognized in the period incurred.

Option income arises when a triggering event occurs under the Option to Repurchase agreement. In this event, a homeowner is not yet entitled to the full appreciation of the home's value. A triggering event can take place when a homeowner wishes to sell their home and Habitat agrees to waive its Option to repurchase the home for consideration that would put Habitat into the same position as if Habitat had exercised the Option. Option income is recognized as revenue at the time the option is exercised, provided the amount can be reasonably estimated and collection is reasonably assured.

Fundraising

The organization follows the deferral method of accounting for contributions. Restricted donations are recognized as revenue in the year in which the related expenses are incurred, other than those identified for construction projects. Unrestricted donations are recognized as revenue when received or receivable, provided the amount can be reasonably estimated and collection is reasonably assured.

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HABITAT FOR HUMANITY WATERLOO REGION INC.

Notes to Financial Statements

Year Ended December 31, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ReStore

ReStore revenues consist of revenues from the sale of donated building materials and other household products. ReStore revenues are not recorded when donated materials are received, as determination of fair values is not practical, and consequently, ReStore revenues are recorded at the time the donated materials are sold.

Grants, bequests and other income

Restricted grants, bequests and other income are recognized as revenue in the year in which the related expenses are incurred, other than those identified for construction projects. Unrestricted grants, bequests and other income are recognized as revenue when received or receivable provided the amount can be reasonably estimated and collection is reasonably assured.

Interest income

Interest income from interest-bearing investments is recognized on an accrual basis as it is earned over time.

Donations and grants for the purpose of acquiring capital assets

Donations and grants that are restricted for the purpose of acquiring capital assets are deferred and recognized in revenue on the same basis as amortization is calculated on the related assets.

Contributed services

Volunteers contribute a significant amount of time assisting the organization in providing its services. Due to the difficulty in establishing fair values, contributed services are not recognized in these financial statements.

Cash and cash equivalents

Cash represents cash on deposit with a Canadian financial institution. Cash equivalents are short-term investments maturing within 90 days.

Finished homes and construction in progress

Finished homes and construction in progress includes finished properties for which sales have not yet finalized. These properties are costed using specific identification and are valued at the lower of cost and net realizable value. Overhead costs allocated to the building program are expensed annually.

Properties held for resale

Properties held for resale are costed using specific identification and are valued at the lower of cost and net realizable value.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a straight-line basis at the following rates and methods:

Equipment and furniture	20%
Vehicles	30%
Computer software	100%
Leasehold improvements	term of the lease

In the year of acquisition, capital assets are amortized at half the calculated amount.

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HABITAT FOR HUMANITY WATERLOO REGION INC.

Notes to Financial Statements

Year Ended December 31, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties held for future development

Properties held for future development are costed using specific identification and are valued at the lower of cost and net realizable value.

Net assets

Net assets invested in home ownership is equal to the carrying value of the mortgages receivable, plus finished homes and construction in progress, plus properties held for future development, plus properties held for resale, less deferred revenue related thereto.

Net assets invested in capital assets is equal to the carrying value of capital assets.

Unrestricted net assets is equal to the residual net assets of the organization.

Cloud computing arrangements

The organization has applied AcG-20 Customer's Accounting for Cloud Computing Arrangements in the current year. No adjustments to the current or prior year were required after retrospectively implementing the new presentation and disclosure requirements. The organization applies the simplification approach to its cloud computing arrangements whereby all costs are expensed in the year in which the supply of services is provided. During the year, \$22,000 (2024 - \$22,400) of these services were expensed within the *Office and administration* line items in the schedules to the Statement of Revenues and Expenses.

Controlled not-for-profit organizations

The organization has elected not to consolidate the not-for-profit organization it controls. The organization reports controlled not-for-profit organizations at cost by disclosing summarized financial information as it believes this presentation provides more meaningful information to the users by focusing on the organization's direct resources and obligations.

Allocation of administrative expenses

The organization allocates certain administrative expenses to its programs as follows: salaries, wages and benefits are allocated to programs based on time and efforts dedicated by staff to support those programs; occupancy expenses are allocated to programs based on the estimated space usage of each program; all other expenses are allocated to programs based on management's estimated usage of these expenses within these programs.

Financial instruments

The organization's financial instruments comprise cash and cash equivalents, accounts receivable, mortgages receivable, accounts payable and long term debt. 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 income. 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.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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HABITAT FOR HUMANITY WATERLOO REGION INC.

Notes to Financial Statements

Year Ended December 31, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

In particular, the organization makes estimates with respect to the fair value of materials and services donated for the construction of homes. While suppliers are sometimes able and willing to provide quotes, management is sometimes forced to make their own estimates, based on prior experience. The actual fair value of donated material and services could differ from those reflected in inventory and the cost of constructed homes. In addition, management must estimate the fair value of the interest-free mortgages receivable issued to new homeowners at the time of sale (see Note 5 below). While discounts calculated to estimate the fair value at the time of sale are made on a reasonable basis, the actual fair value could vary from the amounts reflected in these financial statements.

3. CONTROLLED NOT-FOR-PROFIT ORGANIZATIONS

The organization controls three not-for-profit organizations ("controlled NPOs"), namely Build Now: Waterloo Region ("BNWR"), Build Now: Holborn Court ("BNHC"), and Build Now: University East ("BNUE"). The organization is the sole member of BNWR, and thereby has the sole ability to elect the board members and exercise control. BNWR is the sole member of both BNHC and BNUE, and by way of ability to exercise control over BNWR, the organization also has the ability to exercise control over BNHC and BNUE. The controlled NPOs were incorporated in 2024 under the Not-for-Profit Corporations Act of Ontario for the purpose of developing and marketing ownership units affordable to lower income families.

The controlled NPOs have not been consolidated in these financial statements. A summary of their financial information as at December 31, 2025 is disclosed below:

	2025	2024
<u>Financial information</u>		
<u>Build Now: Waterloo Region</u>		
Assets	\$ 91,467	\$ 100,025
Liabilities	<u>(340,179)</u>	<u>(133,219)</u>
Net assets (deficiency)	<u>\$ (248,712)</u>	<u>(33,194)</u>
Revenue	\$ 22	-
Expenses	<u>(215,540)</u>	<u>(33,194)</u>
Excess (deficiency) of revenues over expenses	<u>\$ (215,518)</u>	<u>(33,194)</u>
Cash flows from operating	\$ (227,284)	(15,649)
Cash flows from investing	-	-
Cash flows from financing	<u>127,259</u>	<u>115,674</u>
Increase (decrease) in cash flows	<u>\$ (100,025)</u>	<u>100,025</u>

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HABITAT FOR HUMANITY WATERLOO REGION INC.

Notes to Financial Statements

Year Ended December 31, 2025

3. CONTROLLED NOT-FOR-PROFIT ORGANIZATIONS *(continued)*

	2025	2024
<u>Financial information</u>		
<u>Build Now: Holborn Court</u>		
Assets	\$ 33,379	5,000
Liabilities	<u>(67,345)</u>	<u>(6,566)</u>
Net assets (deficiency)	<u>\$ (33,966)</u>	<u>(1,566)</u>
Revenues	\$ -	-
Expenses	<u>(32,400)</u>	<u>(1,566)</u>
Excess (deficiency) of revenues over expenses	<u>\$ (32,400)</u>	<u>(1,566)</u>
Cash flows from operating	\$ (49,588)	-
Cash flows from investing	-	-
Cash flows from financing	<u>55,207</u>	<u>-</u>
Increase in cash flows	<u>\$ 5,619</u>	<u>-</u>
<u>Build Now: University East</u>		
Assets	\$ 1,838,049	39,988
Liabilities	<u>(1,952,919)</u>	<u>(40,537)</u>
Net assets (deficiency)	<u>\$ (114,870)</u>	<u>(549)</u>
Revenues	\$ 511	-
Expenses	<u>(114,832)</u>	<u>(549)</u>
Excess (deficiency) of revenues over expenses	<u>\$ (114,321)</u>	<u>(549)</u>
Cash flows from operating	\$ (1,184,399)	-
Cash flows from investing	-	-
Cash flows from financing	<u>1,526,727</u>	<u>-</u>
Increase in cash flows	<u>\$ 342,328</u>	<u>-</u>

The organization has advanced a loan of \$100,000 to BNWR, which bears interest at the Bank of Canada overnight rate plus 2%. This loan is unsecured and has no set repayment terms.

Advances of \$82,194 to BNWR are non-interest bearing and due on demand. *Interest and other income* in the Administration program includes \$9,502 of revenues from BNWR. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount established and agreed to by the related parties.

HABITAT FOR HUMANITY WATERLOO REGION INC.

Notes to Financial Statements

Year Ended December 31, 2025

4. CHANGES IN INVENTORY

The changes in inventory and inventories recognized as expenses in the year are as follows:

	Finished homes and construction in progress	Properties held for development	Properties held for resale	2025	2024
Opening	\$ 935,573	\$ 3,523,630	\$ -	\$ 4,459,203	\$ 2,035,278
Reallocation	1,172,113	(1,172,113)	-	-	-
Additions	4,040,159	114,689	391,412	4,546,260	3,259,134
Expensed	-	-	-	-	(835,209)
	\$ 6,147,845	\$ 2,466,206	\$ 391,412	\$ 9,005,463	\$ 4,459,203

The reallocation from properties held for development to construction in progress relates to the property at 325 Shantz Hill Rd., Cambridge, as the organization received the building permit, and construction commenced in 2025.

5. MORTGAGES RECEIVABLE

	2025	2024
Face value	\$ 15,225,240	\$ 16,398,455
<u>Present value adjustment</u>		
Opening balance	(9,008,639)	(9,386,986)
Present value adjustment on new mortgages issued	-	(326,446)
Mortgage accretion	631,454	704,793
	(8,377,185)	(9,008,639)
Present value of mortgages receivable	6,848,055	7,389,816
Current portion of mortgages receivable	(395,000)	(380,000)
	\$ 6,453,055	\$ 7,009,816

The present value adjustments are calculated assuming an expected average 25 year amortization at the time of issuance, regardless of actual repayment terms. All mortgages are interest-free and have been discounted using the Bank of Canada five year conventional mortgage rate at the time of issuance of the mortgage plus 2%. Monthly principal payments are reviewed annually and adjusted accordingly based on a means test. Discount accretion is recognized annually on a pro-rata basis with principal payments.

HABITAT FOR HUMANITY WATERLOO REGION INC.

Notes to Financial Statements

Year Ended December 31, 2025

6. PROPERTIES HELD FOR DEVELOPMENT

	2025	2024
101 Clive Rd., Kitchener	\$ 2,466,206	\$ 2,351,517
325 Shantz Hill Rd., Cambridge	-	1,172,113
	\$ 2,466,206	\$ 3,523,630

7. CAPITAL ASSETS

	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
Equipment and furniture	\$ 158,908	\$ 136,959	\$ 21,949	\$ 25,342
Vehicles	122,684	122,684	-	-
Computer software	14,013	14,013	-	-
Leasehold improvements	97,594	97,594	-	-
	\$ 393,199	\$ 371,250	\$ 21,949	\$ 25,342

8. DEFERRED REVENUE

Changes in the sources of deferred funding and revenue recognized in the year are as follows:

	Fundraising	CMHC forgivable loans	Grants, bequests and other designated	2025	2024
Opening deferred revenue	\$ 1,100,506	\$ -	\$ 29,999	\$ 1,130,505	\$ 459,311
Restricted funding received	54,070	-	69,828	123,898	1,039,674
Revenue recognized - Home Ownership	-	-	(19,828)	(19,828)	(368,480)
	\$ 1,154,576	\$ -	\$ 79,999	\$ 1,234,575	\$ 1,130,505

A summary of restricted donations and funding by their restricted nature is as follows:

	2025	2024
Donations and funding designated for future homes	\$ 670,000	\$ 749,180
Donations and funding designated for current homes	514,575	381,325
Donations and funding designated for other specific use	50,000	-
	\$ 1,234,575	\$ 1,130,505

HABITAT FOR HUMANITY WATERLOO REGION INC.

Notes to Financial Statements

Year Ended December 31, 2025

9. LONG TERM DEBT

	2025	2024
Kindred Credit Union term loan bearing interest at prime + 0.75% per annum, monthly interest-only payments, maturing in July 2026. This loan is part of a credit facility, the security for which is detailed in Note 13.	\$ 600,000	\$ -
Waterloo Region Community Foundation term loan bearing interest at 4.5% per annum calculated on a simple interest basis, repayable in full including accrued interest upon maturity in August 2027. The loan is secured against property located at 325 Shantz Hill Rd., Cambridge.	3,000,000	-
	3,600,000	-
Amounts payable within one year	(600,000)	-
	\$ 3,000,000	\$ -
Principal repayment terms are approximately:		
2026	\$ 600,000	
2027	3,000,000	
	\$ 3,600,000	

10. NET ASSETS INVESTED IN HOME OWNERSHIP PROGRAM

	2025	2024
Finished homes and construction in progress	\$ 6,147,845	\$ 935,573
Mortgages receivable	6,848,055	7,389,816
Properties held for development	2,466,206	3,523,630
Properties held for resale	391,412	-
Deferred revenue	(1,234,575)	(1,130,505)
Accounts payable and accrued liabilities	(641,645)	-
Long term debt	(3,600,000)	-
	\$ 10,377,298	\$ 10,718,514

HABITAT FOR HUMANITY WATERLOO REGION INC.

Notes to Financial Statements

Year Ended December 31, 2025

11. ALLOCATION OF ADMINISTRATIVE EXPENSES

Year ended December 31, 2025

	Home Ownership	Fundraising	ReStore	2025
Salaries, wages and benefits	\$ 187,136	\$ 86,470	\$ 60,977	\$ 334,583
Occupancy	17,380	11,267	-	28,647
Office and administration	20,109	7,948	17,674	45,732
	\$ 224,626	\$ 105,685	\$ 78,651	\$ 408,962

Year ended December 31, 2024

	Home Ownership	Fundraising	ReStore	2024
Salaries, wages and benefits	\$ 185,714	\$ 85,852	\$ 61,756	\$ 333,322
Occupancy	24,252	10,624	-	34,876
Office and administration	19,422	8,187	18,031	45,640
	\$ 229,388	\$ 104,664	\$ 79,787	\$ 413,838

12. RELATED PARTY TRANSACTIONS

The organization is affiliated with Habitat for Humanity Canada ("HFHC") and had transactions with HFHC during the year in the normal course of operations and recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties under the covenant agreement, as follows:

	2025	2024
<u>Payments:</u>		
License fees	\$ 75,697	\$ 83,391
Donation fees	58,717	50,159
Affiliate fees	25,000	25,000
ReStore gift-in-kind fees (in ReStore)	19,837	16,955
Build gift-in-kind fees (in Home Ownership)	493	1,077
Tithe to support homebuilding in developing countries	4,000	20,000
	\$ 183,744	\$ 196,582

The above amounts are recorded in the Administration program under *Affiliate fees* unless otherwise noted.

<u>Receipts:</u>		
House sponsorships (in Fundraising)	\$ -	\$ 120,000
Donations (in Fundraising)	189,309	44,343
Affiliate distributions (in Administration)	51,496	42,433
	\$ 240,805	\$ 206,776

HABITAT FOR HUMANITY WATERLOO REGION INC.

Notes to Financial Statements

Year Ended December 31, 2025

13. CREDIT FACILITIES

The organization has a credit facility which includes a line of credit of \$170,000 and three letters of credit totaling approximately \$442,755. The line of credit, if used, requires monthly payments of interest only at prime rate plus 0.75%.

The credit facility includes a term loan for a maximum amount of \$1,000,000 on which \$600,000 has been drawn as at December 31, 2025, with terms as disclosed in Note 9.

Current security for this credit facility includes mortgages with a current value of approximately \$466,142 and a first all purpose collateral mortgage registered for \$2,300,000 over property owned by the organization located at 101 Clive Rd., Kitchener. The credit facility agreement requires the organization to maintain a debt service coverage ratio of 1.2 to 1. The organization was in compliance with this covenant as at December 31, 2025.

The credit facility also includes a term loan for a maximum amount of \$3,000,000 on which no amount has been drawn, and any draws are subject to the completion of new assignments of residential mortgages cumulating to an outstanding balance of \$4,500,000. Once drawn, this loan bears interest at prime rate per annum, repayable in monthly blended payments.

14. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The organization has rental lease commitments relating to its Waterloo and Cambridge ReStore premises which expire on October 31, 2029 and August 31, 2028, respectively. Subsequent to year end, the organization has entered into new lease commitments with respect to two vehicles maturing in February 2029 and January 2033.

Minimum base annual lease payments over the next five years for the organization's premise and truck leases are as follows:

2026	\$	452,243
2027		464,271
2028		397,200
2029		190,948
2030		32,940
Thereafter		65,880
		<u>\$ 1,603,482</u>

HABITAT FOR HUMANITY WATERLOO REGION INC.

Notes to Financial Statements

Year Ended December 31, 2025

15. CONTINGENT LIABILITY

The organization has signed a guarantee in favour of Build Now: Waterloo Region ("BNWR") to support bank advances made thereto in the amount of \$200,000. The credit facility agreement of BNWR to which this guarantee relates requires the organization and BNWR to maintain a combined debt service coverage ratio of 1.1 to 1. This covenant was not in compliance as at December 31, 2025.

The organization is contingently liable for the unforgiven portion of CMHC loans related to 6 units at 242 Kehl St., Kitchener. Loans received in prior years subject to the below conditions total \$390,000, of which \$39,000 has been forgiven as at December 31, 2025.

The CMHC loan is granted on the condition that the affordability of the housing will be maintained for a minimum of 20 years. The loan is interest free for so long as the conditions specified in the agreement are met and the loan is not in default. The loan is forgivable annually in equal portion of the principal amount, beginning on the first anniversary following the units' occupancy until the twentieth anniversary provided that all the requirements of the loan documents are fulfilled. However, if the organization breaches any conditions of the funding agreement, prior to the twenty year period, the remaining principal, plus interest calculated at 5% per annum will become due and payable.

In January 2026, the organization was approved for two CMHC forgivable loans for construction of 24 units at 325 Shantz Rd., Cambridge. The maximum funding under these loan agreements is \$3,100,000. The organization received a draw of \$978,399 in January 2026. This loan follows the same terms of forgiveness as discussed above; as no units have been occupied as of December 31, 2025, no amount of this funding has been forgiven.

16. FINANCIAL INSTRUMENTS

Unless indicated otherwise in these financial statements, as in the prior year, management believes the organization does not face any significant currency, liquidity or market risk with respect to any of its financial instruments.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from its accounts receivable and mortgages receivable. Management believes that the credit risk from non-collection of mortgages is minimal as the carrying value of the mortgages is substantially less than the value of the underlying homes. This risk has not changed from the prior year.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate line of credit and credit facilities.

HABITAT FOR HUMANITY WATERLOO REGION INC.

Home Ownership

(Schedule 1)

Year Ended December 31, 2025

	2025	2024
REVENUES		
Home sales & related income	\$ -	\$ 977,929
Present value adjustment on new mortgages issued (Note 5)	-	(326,446)
Present value of home sales and related income	-	651,483
Designated donations (Note 8)	-	199,892
Designated grants, bequests and other (Note 8)	19,828	103,588
CMHC forgivable loan income (Note 8)	-	65,000
Option income	18,134	325,916
	37,962	1,345,879
MORTGAGE ACCRETION (Note 5)	631,454	704,793
EXPENSES		
Salaries, wages and benefits	664,286	675,574
Interest on long term debt	68,188	-
Cost of homes sold & other construction costs (Note 4)	44,504	906,343
Promotion, events and volunteer costs	42,312	21,056
Office and administration	25,192	28,369
Occupancy	17,380	24,252
Professional fees	9,847	77,690
Travel and vehicle	9,202	10,129
Build gift-in-kind fees (Note 12)	493	1,077
	881,405	1,744,490
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (211,989)	\$ 306,182

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY WATERLOO REGION INC.

Fundraising

(Schedule 2)

Year Ended December 31, 2025

	2025	2024
REVENUES		
Donations received in the year <i>(Note 12)</i>	\$ 726,873	\$ 1,247,156
Donations deferred in the year <i>(Note 8)</i>	<u>(54,070)</u>	<u>(964,674)</u>
	672,803	282,482
Grants and bequests received in the year	386,150	170,310
Grants and bequests deferred in the year <i>(Note 8)</i>	<u>(69,828)</u>	<u>(75,000)</u>
	316,322	95,310
	<u>989,125</u>	<u>377,792</u>
EXPENSES		
Salaries, wages and benefits	197,252	193,576
Promotion, events and volunteer costs	20,345	27,167
Office and administration	11,664	11,512
Occupancy	<u>11,267</u>	<u>10,624</u>
	240,528	242,880
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 748,597</u>	<u>\$ 134,912</u>

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY WATERLOO REGION INC.

ReStore

(Schedule 3)

Year Ended December 31, 2025

	2025	2024
REVENUES	\$ 1,902,539	\$ 2,118,894
EXPENSES		
Salaries, wages and benefits	1,143,648	1,136,205
Occupancy	563,977	533,745
Office and administration	86,633	89,790
Travel and vehicle	74,209	76,629
ReStore gift-in-kind fees <i>(Note 12)</i>	19,837	16,955
Promotion, events and volunteer costs	8,359	7,347
	<u>1,896,663</u>	<u>1,860,672</u>
EXCESS OF REVENUES OVER EXPENSES	\$ 5,876	\$ 258,222

The accompanying notes form an integral part of these financial statements

HABITAT FOR HUMANITY WATERLOO REGION INC.

Administration

(Schedule 4)

Year Ended December 31, 2025

	2025	2024
REVENUES		
Interest and other income (<i>Notes 3, 12</i>)	\$ 152,092	\$ 172,919
EXPENSES		
Salaries, wages and benefits	237,771	239,016
Affiliate fees (<i>Note 12</i>)	167,914	183,049
Professional fees	54,687	61,263
Office and administration	42,748	43,020
Amortization	12,765	16,041
Occupancy	11,267	10,624
	<u>527,153</u>	<u>553,013</u>
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (375,061)	\$ (380,094)

The accompanying notes form an integral part of these financial statements