HABITAT FOR HUMANITY PRINCE EDWARD-HASTINGS

FINANCIAL STATEMENTS

December 31, 2022

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Welch LLP®

INDEPENDENT AUDITOR'S REPORT

To the Members of
HABITAT FOR HUMANITY PRINCE EDWARD-HASTINGS

Qualified Opinion

We have audited the financial statements of **HABITAT FOR HUMANITY PRINCE EDWARD-HASTINGS**, which comprise the statement of financial position as at December 31, 2022, and the statements of changes in net assets, revenues and expenses 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, 2022, 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 not-for-profit organizations, the Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years.

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.

Other Matter

The financial statements of the Organization for the year ended December 31, 2021 were audited by another auditor who expressed a qualified opinion on those financial statements on May 31, 2022.

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.

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INDEPENDENT AUDITOR'S REPORT (continued)

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

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 controls 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 controls.
- 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.

Welch LLP

Belleville, Ontario
May 17, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

HABITAT FOR HUMANITY PRINCE EDWARD-HASTINGS

(Incorporated under the laws of Ontario)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

ASSETS

	2022	2021
CURRENT ASSETS		
Cash	$ 593,286	$ 1,159,739
Accounts receivable	32,914	64,071
Inventories - note 4	1,035,833	72,437
Prepaid expenses	13,323	22,614
Government remittances recoverable	37,196	-
Current portion of mortgages receivable	140,243	150,733
	1,852,795	1,469,594
INVESTMENTS - note 5	232,963	-
PROPERTY, PLANT AND EQUIPMENT - note 6	1,071,628	1,016,468
MORTGAGES RECEIVABLE - note 8	1,470,588	1,679,317
	$ 4,627,974	$ 4,165,379

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 74,651	$ 48,861
Government remittances payable	-	21,018
Current portion of long-term debt	34,541	367,769
	109,192	437,648
LONG-TERM DEBT - note 9	76,129	-
CANADA EMERGENCY BUSINESS ACCOUNT - note 10	60,000	60,000
DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS - note 11	526,001	553,334
DEFERRED CONTRIBUTIONS - note 12	669,169	24,138
	1,440,491	1,075,120
NET ASSETS	3,187,483	3,090,259
	$ 4,627,974	$ 4,165,379

Approved by the Board

K Brown ____________ Member ____________ Member

(See accompanying notes)

HABITAT FOR HUMANITY PRINCE EDWARD-HASTINGS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022

	Unrestricted	Invested in Tangible Capital Assets	2022 Total	2021 Total
NET ASSETS, beginning of year	$ 2,771,780	$ 318,479	$ 3,090,259	$ 2,453,302
Excess (deficiency) of revenues over expenses	120,090	(22,866)	97,224	636,957
Invested in tangible capital assets	(138,479)	138,479	-	-
NET ASSETS, end of year	$ 2,753,391	$ 434,092	$ 3,187,483	$ 3,090,259

(See accompanying notes)

HABITAT FOR HUMANITY PRINCE EDWARD-HASTINGS
STATEMENT OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2022

	2022	2021
REVENUES		
Home sales	$ -	$ 1,423,000
Donations and grants	247,628	947,892
Interest income	15,011	3,186
'Restore' operations, Schedule 1	697,239	474,044
	959,878	2,848,122
EXPENSES		
Amortization	8,480	1,344
Cost of serviced lands sold	67,738	1,093,814
Fundraising and events	19,710	-
Insurance	12,747	13,265
Interest and bank charges	5,730	3,299
Office and administration	66,077	91,158
'Restore' operations, Schedule 1	475,025	322,344
Wages and benefits	110,300	60,049
	765,807	1,585,273
Excess of revenues over expenses before other items	194,071	1,262,849
Other expenses		
Fair value adjustment of mortgages receivable	79,810	625,892
Fair value adjustment of investments	17,037	-
	96,847	625,892
EXCESS OF REVENUES OVER EXPENSES	$ 97,224	$ 636,957

(See accompanying notes)

HABITAT FOR HUMANITY PRINCE EDWARD-HASTINGS
SCHEDULE TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

SCHEDULE OF 'RESTORE' OPERATIONS **Schedule 1**

	2022	2021
REVENUE		
Product sales	$ 669,906	$ 447,489
Amortization of deferred contributions	27,333	26,555
	697,239	474,044
EXPENSES		
Bank and credit card charges	6,412	4,989
Amortization	41,719	49,205
Vehicle	8,126	9,343
General expenses	56,567	48,508
Insurance	2,099	1,824
Interest on long-term debt	4,445	4,738
Telecommunications	9,366	9,903
Utilities	12,699	9,415
Wages and benefits	333,592	184,419
	475,025	322,344
'RESTORE' EXCESS OF REVENUE OVER EXPENSES	$ 222,214	$ 151,700

(See accompanying notes)

HABITAT FOR HUMANITY PRINCE EDWARD-HASTINGS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 97,224	$ 636,957
Adjustments for:		
Amortization	50,199	50,549
Fair value adjustment of mortgages receivable	79,810	625,892
Fair value adjustment of investments	17,037	-
Amortization of deferred contributions	(27,333)	(26,555)
	216,937	1,286,843
Change in non-cash working capital components:		
Accounts receivable	31,157	322,308
Inventories	(963,396)	1,045,697
Prepaid expenses	9,291	556
Government remittances recoverable	(37,196)	-
Accounts payable and accrued liabilities	25,790	(89,086)
Government remittances payable	(21,018)	-
Deferred Contributions	645,031	(511,896)
	(93,404)	2,054,422
CASH FLOWS FROM INVESTING ACTIVITIES		
First mortgage discharged	-	286,429
Gain on discharge of mortgages	-	22,952
Purchase of property, plant and equipment	(105,358)	(13,154)
Mortgages receivable issued	-	(1,491,121)
Mortgage payments received	139,408	120,365
Purchase of investments	(250,000)	-
	(215,950)	(1,074,529)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(257,099)	(47,068)
Increase in long-term loan	-	20,000
	(257,099)	(27,068)
INCREASE (DECREASE) IN CASH	(566,453)	952,825
CASH, beginning of year	1,159,739	206,914
CASH, end of year	$ 593,286	$ 1,159,739

(See accompanying notes)

1. NATURE OF OPERATIONS

Habitat for Humanity Prince Edward-Hastings is an independent, not for profit housing provider dedicated to the elimination of poverty housing by building homes in partnership with families in need. The organization is incorporated without share capital under the laws of Ontario. The organization is a registered charitable organization under the Income Tax Act and is exempt from income taxes.

The Organization is an affiliate of Habitat for Humanity Canada ("HFHC"). There is an affiliation agreement between HFHC and all Canadian affiliates that sets the general operating principles for every autonomous affiliate. Currently HFHC provides affiliates across the country with administrative and marketing support, training opportunities, funding and gift-in-kind coordination.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with Canadian Accounting Standards for Not-for-profit organizations.

Investments

The purchase and sale of investments are accounted for using settlement date accounting.

Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported year. Significant items subject to such estimates and assumptions include valuation of accounts and mortgages receivable, inventory, the estimated useful life of capital assets, and significant accrued liabilities. Actual results could differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by transaction costs in the case where a financial asset or financial liability is subsequently measured at amortized cost.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost except for investments quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the Statement of Operations in the period incurred. Financial assets measured at amortized cost include cash, accounts receivable, government rebate recoverable, mortgage receivables. Financial assets measured at fair value include investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The fair value of the equity investments is the closing price obtained from the applicable exchange at the date of the Statement of Financial Position.

Inventories

Inventory of homes in progress and completed homes are recorded at the lower of cost and net realizable value. Cost is the initial cost of the properties plus carrying charges and construction costs incurred to year end. Net realizable value of homes in progress is the expected selling price of the home less anticipated costs of completion.

When the cost of inventories exceeds the net realizable value, the cost of inventories will be written down to net realizable value. Any such write-down will be included in home costs for the year of the write-down.

If circumstances or events lead to a subsequent increase in the net realizable value of the inventory that was written down, the amount of the write-down will be reversed and will reduce home costs in the year of the reversal.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are recorded at cost. The Organization provides for amortization using the straight-line method at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. The annual amortization rates are as follows:

Buildings	40 years
Equipment	5 years
Vehicles	5 years
Computer equipment	5 years
Website	5 years
Fences	10 years
Signs	10 years

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

Sales of homes are recognized upon the later of the date of substantial completion and the date the mortgage agreement is signed. Sales of donated goods at the 'Restore' are recognized upon transfer of goods to the customer.

Contributions received relating to the purchase of tangible capital assets are deferred and amortized over future periods. The amortization period is based on the period used to amortize the corresponding tangible capital assets.

Sales of Homes

Homes sold by the organization prior to fiscal 2009 were settled by a first and second mortgage. The second mortgages have no specific terms of repayment and are repayable only if the mortgagors fail to comply with certain terms and conditions or if the house is sold by the homeowner prior to the payment of the first mortgage in full. The second mortgage is reduced by 25% when 60% of the length of the first mortgage has passed (this could be after 12 to 20 years), if all terms and conditions are met, until such time as the first mortgage is paid in full and at that time any remaining amount on the second mortgage is waived. The second mortgage is not recognized as revenue or as an amount receivable upon initial sale of the home by the Organization. The second mortgage would only be recognized in the event of a failure to comply with the terms and conditions of the first mortgage or if the house is sold by the homeowner prior to the repayment of the first mortgage in full and there is reasonable assurance of collection. In 2009, in accordance with national policy, the use of second mortgages was discontinued and now the full home selling price is settled by a first mortgage.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed goods and services

Contributed goods and services are recorded as contributions at their estimated fair market value at the date of donation where the goods and/or services would otherwise be purchased. No recognition is made in the financial statements for time spent by individual volunteers in fundraising, administration or constructing homes. No recognition is made in the financial statements for goods contributed to the 'ReStore' for resale until the goods are actually sold.

Cash and cash equivalents

Cash and equivalents consist of cash on deposit.

First mortgages receivable

The Organization has designated its mortgages as held for trading and has recorded them at fair value. Fair value of mortgages receivable is determined by discounting the future payment stream at estimated current interest rates.

Government assistance

Government assistance in the form of non-repayable subsidies and forgivable loans is accounted for using the cost reduction approach, whereby the operating expense is reduced by the assistance received; if assistance received is not for a specific expenditure, the assistance is recorded as revenue. Government assistance is recognized in the period where all conditions of the non-repayable subsidies and forgivable loans are met.

3. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Organization if a debtor fails to make payments of interest and principal when due. The Organization continually monitors the credit risk of their financial instruments. It is management's opinion that the organization is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet all cash outflow obligations as they come due. The Organization mitigates this risk by monitoring cash activities and expected outflows.

3. FINANCIAL INSTRUMENTS (continued)

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 that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization is not exposed to currency risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. It is management's opinion that the Organization is not exposed to significant interest rate risk as the bank loans are at a fixed rate.

Other price risk

Other price risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The Organization is exposed to other price risk on their investments.

Change in risk

During the year, the Organization's exposure to other price risk increased due to the purchase of equity investments in the year.

4. INVENTORIES

Inventories consist of the following:

	2022	2021
Bancroft properties	$ 61,317	$ 56,532
93 Dundas Street, Belleville	40,607	12,691
639 Sidney Street, Belleville	441,909	3,214
633 Sidney Street, Belleville	492,000	-
	$ 1,035,833	$ 72,437

During the year, land donated for the Sidney Street projects was received with an assessed value of $662,801. Deferred contributions related to these donations are reflected in Note 12.

5. INVESTMENTS

Investments consist of the following:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Mutual Funds	$ 232,963	$ 250,000	$ -	$ -

6. PROPERTY, PLANT AND EQUIPMENT

	2022		2021	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	$ 188,591	$ -	$ 188,591	$ -
Buildings	1,102,474	320,512	1,084,225	293,405
Equipment	32,088	25,734	32,088	20,084
Vehicles	72,780	72,780	72,780	65,952
Computer equipment	44,423	40,577	39,763	32,392
Website	29,806	10,196	11,756	9,387
Fences	9,011	1,427	9,011	526
Signs	64,400	719	9,232	9,232
	1,543,573	471,945	1,447,446	430,978
Net book value	$ 1,071,628		$ 1,016,468	

7. SECOND MORTGAGES RECEIVABLE

The organization previously issued non-interest bearing second mortgages on sales of residential units which become forgivable upon fulfillment of various criteria. This practice was discontinued in 2009. The balance receivable at December 31, 2022 is $155,500 (2021 - $167,900) for these mortgages issued on sales prior to 2009. These second mortgages have not been reflected in the accounts of the Organization.

8. MORTGAGES RECEIVABLE

	2022		2021	
	Fair Value	Book Value	Fair Value	Book Value
First mortgage, non - interest bearing, bi-weekly payments of $84, maturing January 2037	$ 39,663	$ 161,326	$ 71,899	$ 163,816
First mortgage, non - interest bearing, bi-weekly payments of $529, maturing April 2037	111,501	147,257	103,779	161,239
First mortgage, non - interest bearing, monthly payments of $415, maturing September 2037	82,003	172,823	90,498	178,824
First mortgage, non - interest bearing, monthly payments of $161, maturing October 2037	38,293	191,390	81,547	193,672
First mortgage, non - interest bearing, monthly payments of $176, maturing April 2030	19,129	25,588	20,740	27,916
First mortgage, non - interest bearing, monthly payments of $402, maturing March 2030	18,752	20,747	22,184	25,789
First mortgage, non - interest bearing, semi - monthly payments of $166, maturing February 2039	59,941	111,798	54,607	116,094
First mortgage, non - interest bearing, monthly payments of $200, maturing May 2032	30,378	48,170	18,661	23,570
First mortgage, non - interest bearing, monthly payments of $1,211, maturing January 2045	51,612	57,065	54,837	69,524
First mortgage, non - interest bearing, monthly payments of $771, maturing April 2032	101,811	148,279	86,786	158,299
First mortgage, non - interest bearing, monthly payments of $613, maturing April 2033	92,367	145,633	90,184	151,492
First mortgage, non - interest bearing, bi-weekly payments of $343, maturing September 2034	97,968	148,764	91,916	154,716

8. MORTGAGES RECEIVABLE (continued)

First mortgage, non - interest bearing, monthly payments of $258, maturing November 2034	54,155	129,214	74,232	132,562
First mortgage, non - interest bearing, bi-weekly payments of $343, maturing March 2024	75,353	104,673	98,027	112,826
First mortgage, non - interest bearing, monthly payments of $617, maturing January 2033	75,652	105,907	73,821	113,311
First mortgage, non - interest bearing, monthly payments of $537, maturing June 2036	89,425	153,618	88,764	160,377
First mortgage, non - interest bearing, monthly payments of $994, maturing December 2038	128,019	184,064	104,628	195,811
First mortgage, non - interest bearing, monthly payments of $641, maturing January 2039	109,476	191,900	105,758	199,593
First mortgage, non - interest bearing, monthly payments of $198, maturing November 2056	47,159	250,739	91,777	253,712
First mortgage, non - interest bearing, monthly payments of $588, maturing December 2052	116,719	248,278	131,131	255,751
First mortgage, non - interest bearing, monthly payments of $550, maturing November 2057	110,693	241,209	129,065	248,515
First mortgage, non - interest bearing, bi-weekly payments of $127, maturing February 2047	60,762	440,111	145,206	443,553
Current portion of mortgage receivable	(140,243)	-	(150,733)	-
	$ 1,470,588	$ 3,428,553	$ 1,679,314	$ 3,540,962

9. LONG-TERM DEBT

	2022	2021
Royal Bank of Canada loan, with interest at 3.52% repayable in blended monthly installments of $3,157 to maturity in February 2026, secured by a general security agreement over all of the Organization's assets. In addition, there is a collateral mortgage in the amount of $650,000 constituting a fixed charge on the land and improvements located at 365 Bell Blvd. Belleville, Ontario.	$ 110,670	$ 143,791
Royal Bank of Canada loan, with interest at 3.70% repayable in monthly installments of $1,398 to maturity in October 2022, secured by a general security agreement over all of the Organization's assets.	-	223,978
	110,670	367,769
Less current portion	34,541	367,769
	$ 76,129	$ -

10. CANADA EMERGENCY BUSINESS ACCOUNT

The CEBA was intended to subsidize non-deferrable operating expenses for entities impacted by COVID-19. The CEBA is interest-free until December 31, 2023. Repaying the balance of the loan on or before December 31, 2023 will result in loan forgiveness of $20,000. As at year-end, no repayment had been made.

11. DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

	2022	2021
Balance, beginning of year	$ 553,334	$ 579,889
Amortization of deferred contributions in year	(27,333)	(26,555)
Balance, end of year	$ 526,001	$ 553,334

12. DEFERRED CONTRIBUTIONS

	2022	2021
Foundation Grants	$ -	$ 24,138
Seed Fund - CMHC	5,368	-
Donated Land - 639 Sidney St.	321,000	-
Donated Land - 633 Sidney St.	342,801	-
	$ 669,169	$ 24,138

The donated land will be recorded as revenue when the projects are completed and sold.

13. ADJUSTMENT TO FAIR VALUE OF MORTGAGES

Mortgages receivable are remeasured at year-end based on the 25 year Bank of Canada zero-coupon bond yield and a risk premium to account for the risky nature of the mortgages receivable. Adjustments to the fair value of mortgages are shown on the Statement of Operations. The rate used in 2022 is 5% (2021 - 4.79%).

14. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.