

***MENNOHOMES INC.***

**FINANCIAL STATEMENTS  
AUGUST 31, 2016**



**INDEPENDENT AUDITORS' REPORT**  
**To the Directors of MennoHomes Inc.**

**Report on the Financial Statements**

We have audited the accompanying financial statements of MennoHomes Inc., which comprise the statement of financial position as at August 31, 2016, the statement of operations and change in net assets, and the statement of cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Basis of Qualified Opinion**

In common with many not-for-profit organizations, MennoHomes Inc. derives a portion of its revenues from the general public in the form of donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues from these sources was limited to accounting for the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenues, net income and net assets.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of MennoHomes Inc. as at August 31, 2016, and its results of operations, change in net assets and cash flows, for the year then ended, in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

A handwritten signature in black ink that reads "Candy Winters &amp; Simon LLP".

**Chartered Professional Accountants**  
**Licensed Public Accountants**  
**November 18, 2016**  
**Kitchener, ON**

***Cardy Winters & Simon LLP***  
Chartered Professional Accountants  
Suite 103 – 630 Riverbend Drive, Kitchener, ON N2K 3S2  
Tel (519) 744-4030 Fax (519) 579-7576 [www.cwscpa.ca](http://www.cwscpa.ca)

# **MENNOHOMES INC.**

## **STATEMENT OF FINANCIAL POSITION**

**AS AT AUGUST 31, 2016**

(With comparative figures as at August 31, 2015)

(The accompanying notes are an integral part of these financial statements)

	2016			2015		
	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u>	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u>
<b>ASSETS</b>						
<b>CURRENT</b>						
Cash	38,008	418,845	456,853	135,166	205,628	340,794
Cash and investments - Reserve Funds	95,577	0	95,577	192,828	0	192,828
Investments - Reserve Funds (note 4)	117,857	0	117,857	0	0	0
HST and rents receivable	14,947	6,867	21,814	19,636	763	20,399
Prepaid expenses	32,533	0	32,533	30,580	0	30,580
	<u>298,922</u>	<u>425,712</u>	<u>724,634</u>	<u>378,210</u>	<u>206,391</u>	<u>584,601</u>
<b>CAPITAL ASSETS</b> (note 2)	<u>8,277,335</u>	<u>1,634,646</u>	<u>9,911,981</u>	<u>8,558,759</u>	<u>810,920</u>	<u>9,369,679</u>
	<u>\$8,576,257</u>	<u>\$2,060,358</u>	<u>\$10,636,615</u>	<u>\$8,936,969</u>	<u>\$1,017,311</u>	<u>\$9,954,280</u>
<b>LIABILITIES</b>						
<b>CURRENT</b>						
Accounts, payable and accrued	26,605	201,064	227,669	20,370	0	20,370
Government remittances payable	4,583	0	4,583	2,399	0	2,399
Deferred income (note 5)	3,374	0	3,374	3,374	0	3,374
Current portion of long-term debt	2,950,932	400,023	3,350,955	3,214,287	0	3,214,287
	<u>2,985,494</u>	<u>601,087</u>	<u>3,586,581</u>	<u>3,240,430</u>	<u>0</u>	<u>3,240,430</u>
<b>LONG-TERM DEBT</b> (note 3)	6,703,988	510,023	7,214,011	7,010,616	389,567	7,400,183
Current portion of long-term debt	(2,950,932)	(400,023)	(3,350,955)	(3,214,287)	0	(3,214,287)
	<u>3,753,056</u>	<u>110,000</u>	<u>3,863,056</u>	<u>3,796,329</u>	<u>389,567</u>	<u>4,185,896</u>
<b>NET ASSETS</b>						
Externally Restricted Reserves (note 6)	110,992	0	110,992	100,830	0	100,830
Internally Restricted Reserves (note 6)	102,442	0	102,442	91,998	0	91,998
Externally Restricted Donations	0	224,648	224,648	0	206,391	206,391
Unrestricted	50,926	0	50,926	159,239	0	159,239
Investment in capital assets	1,573,347	1,124,623	2,697,970	1,548,143	421,353	1,969,496
	<u>1,837,707</u>	<u>1,349,271</u>	<u>3,186,978</u>	<u>1,900,210</u>	<u>627,744</u>	<u>2,527,954</u>
	<u>\$8,576,257</u>	<u>\$2,060,358</u>	<u>\$10,636,615</u>	<u>\$8,936,969</u>	<u>\$1,017,311</u>	<u>\$9,954,280</u>

# **MENNOHOMES INC.**

## **STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2016**

(With comparative figures for the year ended August 31, 2015)

(The accompanying notes are an integral part of these financial statements)

	2016			2015		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>REVENUES:</b>						
Donations and fundraising	1,750	751,670	753,420	0	311,054	311,054
Rental income	685,676	0	685,676	677,393	0	677,393
Government grants	103,480	0	103,480	103,480	0	103,480
Investment and other income	30,411	1,569	31,980	25,949	0	25,949
	<u>821,317</u>	<u>753,239</u>	<u>1,574,556</u>	<u>806,822</u>	<u>311,054</u>	<u>1,117,876</u>
<b>EXPENSES:</b>						
Mortgage interest	144,797	0	144,797	160,785	0	160,785
Amortization of capital assets	281,423	0	281,423	294,526	0	294,526
Repairs and maintenance	113,623	0	113,623	92,968	0	92,968
Utilities	45,742	0	45,742	38,473	0	38,473
Insurance	37,944	0	37,944	36,724	0	36,724
Property taxes	118,129	0	118,129	105,791	0	105,791
Office and administration	41,549	7,152	48,701	43,716	1,127	44,843
Community Service Worker	3,139	0	3,139	3,013	0	3,013
Salaries and benefits	77,065	0	77,065	75,705	0	75,705
Management and superintendent	44,969	0	44,969	49,283	0	49,283
	<u>908,380</u>	<u>7,152</u>	<u>915,532</u>	<u>900,984</u>	<u>1,127</u>	<u>902,111</u>
<b>NET INCOME (LOSS) FOR THE YEAR</b>	(87,063)	746,087	659,024	(94,162)	309,927	215,765
<b>NET ASSETS - opening</b>	1,900,210	627,744	2,527,954	1,993,942	318,247	2,312,189
Interfund transfers						
Private loans for construction	100,000	(100,000)	0	0	0	0
Cash transfer	(75,000)	75,000	0	0	0	0
Operating expenses	(440)	440	0	430	(430)	0
<b>NET ASSETS - closing</b>	<u>\$1,837,707</u>	<u>\$1,349,271</u>	<u>\$3,186,978</u>	<u>\$1,900,210</u>	<u>\$627,744</u>	<u>\$2,527,954</u>

# **MENNOHOMES INC.**

## **STATEMENT OF CASH FLOWS**

### **FOR THE YEAR ENDED AUGUST 31, 2016**

(With comparative figures for the year ended August 31, 2015)

(The accompanying notes are an integral part of these financial statements)

	2016			2015		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>SOURCES (USES) OF CASH:</b>						
<b>OPERATING ACTIVITIES:</b>						
Net income (loss) for the year	(87,063)	746,087	659,024	(94,162)	309,927	215,765
Items not affecting cash:						
Amortization of capital assets	281,423	0	281,423	294,526	0	294,526
Change in non-cash current assets and liabilities:						
Investments - Reserve Funds (note 4)	(117,856)	0	(117,856)	0	0	0
HST and rents receivable	4,689	(6,104)	(1,415)	(173)	7,746	7,573
Prepaid expenses	(1,953)	0	(1,953)	4,096	0	4,096
Accounts, payable and accrued	6,235	201,064	207,299	(5,364)	(14,488)	(19,852)
Government remittances payable	2,184	0	2,184	1,060	0	1,060
Deferred income (note 5)	0	0	0	1	0	1
	<u>87,659</u>	<u>941,047</u>	<u>1,028,706</u>	<u>199,984</u>	<u>303,185</u>	<u>503,169</u>
<b>INVESTING ACTIVITIES:</b>						
Investment in capital assets	0	(823,726)	(823,726)	(3,491)	(232,518)	(236,009)
<b>FINANCING ACTIVITIES:</b>						
Interfund transfers	24,560	(24,560)	0	430	(430)	0
Long-term debt acquired	0	510,023	510,023	40,000	0	40,000
Long-term debt repaid	(306,628)	(389,567)	(696,195)	(196,092)	12,567	(183,525)
	<u>(282,068)</u>	<u>95,896</u>	<u>(186,172)</u>	<u>(155,662)</u>	<u>12,137</u>	<u>(143,525)</u>
<b>CHANGE IN FUNDS</b>	(194,409)	213,217	18,808	40,831	82,804	123,635
<b>CASH ON HAND - opening</b>	<u>327,994</u>	<u>205,628</u>	<u>533,622</u>	<u>287,163</u>	<u>122,824</u>	<u>409,987</u>
<b>CASH ON HAND - closing</b>	<u>\$133,585</u>	<u>\$418,845</u>	<u>\$552,430</u>	<u>\$327,994</u>	<u>\$205,628</u>	<u>\$533,622</u>
<b>REPRESENTED BY:</b>						
Cash	38,008	418,845	456,853	135,166	205,628	340,794
Cash and investments - Reserve Funds	95,577	0	95,577	192,828	0	192,828
	<u>\$133,585</u>	<u>\$418,845</u>	<u>\$552,430</u>	<u>\$327,994</u>	<u>\$205,628</u>	<u>\$533,622</u>

**MENNOHOMES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

**PURPOSE OF THE ORGANIZATION**

MennoHomes Inc. was established to construct or purchase, and maintain, affordable housing for persons of low income, and seniors and disabled persons of low or modest income. MennoHomes Inc. was incorporated under the Ontario Business Corporations Act, is a charity registered with Canada Revenue Agency under the Income Tax Act, and as such, is exempt from income tax. MennoHomes Inc. operates several affordable housing projects - Stirling Ave. (Stirling), The Village, Rockway Gardens (Rockway), Wellesley and Elmira.

**1. SIGNIFICANT ACCOUNT POLICIES**

**Basis of presentation**

These financial statements have been prepared using Canadian Accounting Standards for Not-for-profit Organizations.

**Fund Accounting**

Accounts are maintained in accordance with the principles of fund accounting, wherein resources for various purposes are classified in accordance with activities or objectives as specified by the Board, management or donors. The General Fund reflects the assets, liabilities, revenues and expenses for all construction projects which are completed. The Capital Projects Fund is reflective of construction projects in process. Once construction projects are complete and available for rent, all assets and liabilities are transferred from the Capital Projects Fund to the General Fund.

**Revenue Recognition**

MennoHomes Inc. uses the Restricted Fund method of accounting, whereby receipts designated for a specific purpose are reflected as income in the fund for which they are designated. Unrestricted revenues are reflected in the General Fund. All revenues are recorded when received or receivable, provided collection is reasonably assured, and to the extent the funds are unspent, reflected as restricted net assets on the statement of financial position.

MennoHomes Inc. receives many hours of service from many volunteers. The monetary value of these contributed services is not reflected in these statements because determination of a fair value cannot be reasonably established.

**Capital Assets**

Capital assets are reflected at cost and amortized at the following annual rates:

Buildings	- 4% on the declining balance
Appliances and equipment	- 20% on the declining balance

Management allocates a portion of the Executive Director's salary to the cost of Capital Projects based on best estimates of time spent on the projects. In the current year, this allocation amounted to \$26,238.

**Use of Estimates**

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

**Cash**

For purposes of these financial statements, cash is defined as funds held in bank accounts and short-term investments which mature within 30 days.

# MENNOHOMES INC.

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

### Financial instruments

A financial instrument is a contract that creates a financial asset for one entity and a financial liability or equity instrument of another. Financial assets and liabilities are initially measured at fair value, except for non-arm's length transactions, if any. The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments with quoted fair values in an active market, if any, which are measured at fair value. Changes in fair value are recognized in net income. Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized on the statement of operations and changes in net assets. Any previously recognized impairment losses may be reversed and reflected as income to the extent of improvement. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption. As in the prior year, management believes the organization faces some interest rate risk with respect to its investments and mortgages payable, in that, changes in interest rates could have a significant impact on related future income or expenses. As in the prior year, management believes it does not face any significant credit, currency, liquidity or market risk with respect to any of its remaining financial instruments.

### 2. CAPITAL ASSETS

	<u>Cost</u>	<u>2016</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2015</u> <u>Net Book</u> <u>Value</u>
<b>General Fund</b>				
The Village				
Land	212,851	0	212,851	212,851
Building	1,451,738	557,359	894,379	931,644
Appliances	30,158	28,085	2,073	2,591
	<u>1,694,747</u>	<u>585,444</u>	<u>1,109,303</u>	<u>1,147,086</u>
Rockway				
Land	555,321	0	555,321	555,321
Building	5,286,109	1,658,315	3,627,794	3,778,952
Appliances and equipment	81,721	69,792	11,929	14,911
	<u>5,923,151</u>	<u>1,728,107</u>	<u>4,195,044</u>	<u>4,349,184</u>
Stirling Avenue				
Land	30,000	0	30,000	30,000
Building	109,929	41,053	68,876	71,746
Appliances	3,292	2,965	327	409
	<u>143,221</u>	<u>44,018</u>	<u>99,203</u>	<u>102,155</u>
Wellesley				
Land	511,565	0	511,565	511,565
Building	1,033,207	178,001	855,206	890,840
Appliances	15,495	9,919	5,576	6,970
	<u>1,560,267</u>	<u>187,920</u>	<u>1,372,347</u>	<u>1,409,375</u>
Elmira				
Land	357,825	0	357,825	357,825
Building	1,360,658	226,020	1,134,638	1,181,914
Appliances	16,047	10,162	5,885	7,357
	<u>1,734,530</u>	<u>236,182</u>	<u>1,498,348</u>	<u>1,547,096</u>
Office Equipment	10,155	7,065	3,090	3,863
<b>Total - General Fund</b>	<b>11,066,071</b>	<b>2,788,736</b>	<b>8,277,335</b>	<b>8,558,759</b>
<b>Capital Projects</b>				
Land	604,948	0	604,948	452,930
Building	1,029,698	0	1,029,698	357,990
<b>Total - Capital Projects Fund</b>	<b>1,634,646</b>	<b>0</b>	<b>1,634,646</b>	<b>810,920</b>
	<b>\$12,700,717</b>	<b>\$2,788,736</b>	<b>\$9,911,981</b>	<b>\$9,369,679</b>

# **MENNOHOMES INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2016**

### **3. LONG-TERM DEBT**

	<u>2016</u>	<u>2015</u>
<b><u>Capital Projects</u></b>		
Blaze Properties - Memorial Drive / Church St., Elmira	0	389,567
As described in the Commitments, Contingencies, Contractual Obligations note to the financial statements, MennoHomes Inc. has a Co-Tenancy Agreement with Woolwich Community Services related to the purchase and development of land and buildings. The balance noted represents MennoHomes Inc.'s share of a \$650,000 mortgage payable, for which both parties are jointly and severally liable. The mortgage, which matures in January 2017, was interest free for 2014, and now requires annual payments of interest only at 5% until maturity. The mortgage is secured by a first charge on the real estate noted.		
Abundance Canada	390,023	0
Construction loan, maximum \$4,000,000, bears interest at 3.1%, requires monthly payments of interest only until the Fixed Term Conversion Date, whereupon principal and interest payments will be made based on a twenty-five year amortization period, matures one year from the Fixed Term Conversion Date, secured by a first charge on the Memorial Drive, Elmira real estate.		
Private loan, interest free, principal due July 2020, unsecured	80,000	0
Private loan, interest free, principal due at \$10,000 annually, unsecured	40,000	0
	<u>510,023</u>	<u>389,567</u>

#### **The Village**

Abundance Canada	712,383	755,702
The first mortgage payable bears interest at 3%, requires monthly principal and interest payments of \$5,455, matures in November 2016 and is secured by a first charge on the real estate known as "The Village".		
Ministry of Municipal Affairs and Housing	229,000	229,000
Interest payments will be forgiven annually and principal in 2024, provided MennoHomes Inc. complies with the terms of an agreement with the Ministry which defines the nature of the affordable housing to be provided. Principal and interest, calculated at the higher of the current prime rate for a five-year commercial mortgage plus 2% and the interest rate of the first mortgage plus 2%, may be demanded by the Ministry, if the terms of the agreement with the Ministry are not met. The loan is secured by a second mortgage in the amount of \$379,000, a general security agreement, assignment of rents and insurance.		
Regional Municipality of Waterloo	150,000	150,000
Interest and principal payments will be forgiven in 2024, provided MennoHomes Inc. complies with the terms of an agreement with the Region which defines the nature of the affordable housing to be provided. If the terms of the agreement are not met, interest, calculated monthly at bank prime plus 2%, plus principal may be demanded by the Region. The loan is secured by a second mortgage in the amount of \$379,000, a general security agreement, assignment of rents and insurance.		
	<u>1,091,383</u>	<u>1,134,702</u>

#### **Rockway Gardens**

Abundance Canada		
The first mortgage bears interest at 3%, requires monthly principal and interest payments of \$13,063, matures in December 2016 and is secured by a first charge on the real estate known as "Rockway Gardens".	2,016,145	2,110,947



**MENNOHOMES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

**3. LONG-TERM DEBT (continued)**

<u>Rockway Gardens</u> (continued)	<u>2016</u>	<u>2015</u>
Abundance Canada The second mortgage payable bears interest at 5.5%, requires monthly principal and interest payments of \$8,623, matures in December 2027 and is secured by a second charge on the real estate known as "Rockway Gardens". The Ministry of Municipal Affairs and Housing has agreed to fund the required mortgage payments to maturity provided MennoHomes Inc. continues to operate the project under the terms of the Ministry's 'Affordable Housing Program'.	877,607	932,017
Ministry of Municipal Affairs and Housing Interest payments will be forgiven annually, and principal repayment will be forgiven in 2026, provided MennoHomes Inc. complies with the terms of an agreement with the Ministry which defines the nature of the affordable housing to be provided. Principal and interest, calculated at the higher of the current prime rate for a five-year commercial mortgage plus 2% and the interest rate of the first mortgage plus 2%, may be demanded by the Ministry, if the terms of the agreement with the Ministry are not met. The loan is secured by a mortgage on the real estate, an assignment of rents and a general security agreement.	840,000	840,000
	<b>3,733,752</b>	<b>3,882,964</b>
 <u>Stirling</u>		
Kindred Credit Union The first mortgage payable bears interest 3.35%, requires monthly principal and interest payments of \$128, matures in July 2017 and is secured by a first charge on the real estate.	17,212	18,102
 <u>Wellesley</u>		
Abundance, Canada - Pond View, Wellesley The first mortgage payable bears interest at 3.15%, requires monthly principal and interest payments of \$588, is secured by a first charge on the real estate and matures in August 2017.	101,165	104,994
Ministry of Municipal Affairs and Housing - Pond View, Wellesley Interest will be forgiven annually and principal repayment forgiven in 2030, provided MennoHomes Inc. complies with the terms of an agreement with the Ministry which defines the nature of the affordable housing to be provided. Principal and interest, calculated at the higher of the current prime rate for a five-year commercial mortgage plus 2% and the interest rate of the first mortgage plus 2%, may be demanded by the Ministry, if the terms of the agreement with the Ministry are not met. The loan is secured by a first mortgage on the real estate and an assignment of rents.	480,000	480,000
Regional Municipality of Waterloo - David Street, Wellesley Interest and principal payments will be forgiven in 2038, provided MennoHomes Inc. complies with the terms of an agreement with the Region which defines the nature of the affordable housing to be provided. If the terms of the agreement are not met, interest, calculated monthly at bank prime plus 2%, plus principal may be demanded by the Region. The loan is secured by a first mortgage on the property, a general security agreement, assignment of rents and insurance.	240,000	240,000
Abundance, Canada - David Street, Wellesley The first mortgage payable bears interest at 3.25%, requires monthly principal and interest payments of \$194, is secured by a first charge on the real estate and matures in November 2016.	38,173	39,254
	<b>859,338</b>	<b>864,248</b>

**MENNOHOMES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

**3. LONG-TERM DEBT (continued)**

<u>Elmira</u>	<u>2016</u>	<u>2015</u>
Abundance, Canada - 9, 11A and 11B Ratz Street, Elmira Mortgage payable which bears interest at 3.7%, requires monthly principal and interest payments of \$464, matures July 2018, secured by real estate.	78,736	81,363
Mennonite Savings and Credit Union - Stillwater Street, Elmira Mortgage payable bearing interest at 2.79%, requires monthly principal and interest payments of \$892, matures in June 2021 and is secured by a first charge on 27 Stillwater St.	163,567	169,237
Private loans, interest free, due July 2016, unsecured	0	100,000
Regional Municipality of Waterloo - Centre St. and Stillwater Streets, Elmira Interest and principal payments will be forgiven in 2037, provided MennoHomes Inc. complies with the terms of an agreement with the Region which defines the nature of the affordable housing to be provided. If the terms of the agreement are not met, interest, calculated monthly at bank prime plus 2%, plus principal may be demanded by the Region. The loan is secured by a first mortgage on properties at 2 and 4 Centre Street and a second mortgage on properties at 27 and 38 Stillwater Street in the amount of \$100,000 each, a general security agreement, assignment of rents and insurance.	400,000	400,000
Regional Municipality of Waterloo - 9, 11A & 11B Ratz Street, Elmira Interest and principal payments will be forgiven in 2038, provided MennoHomes Inc. complies with the terms of an agreement with the Region which defines the nature of the affordable housing to be provided. If the terms of the agreement are not met, interest, calculated monthly at bank prime plus 2%, plus principal may be demanded by the Region. The loan is secured by a first mortgage on properties totalling \$360,000, a general security agreement, assignment of rents and insurance.	360,000	360,000
	<u>1,002,303</u>	<u>1,110,600</u>
Total Capital Projects Fund	510,023	389,567
Total General Fund	6,703,988	7,010,616
Total long-term debt	7,214,011	7,400,183
Current portion	3,350,955	3,214,287
Long-term portion	<u>\$3,863,056</u>	<u>\$4,185,896</u>

Projected repayment of long-term debt:	<u>fiscal year</u>	
	2017	3,350,955
	2018	149,294
	2019	73,021
	2020	159,805
	thereafter	3,480,936
		<u>\$7,214,011</u>

**4. FINANCIAL INSTRUMENTS**

	<u>2016</u>	<u>2015</u>
Investments - reflected at amortized cost:		
Guaranteed investment certificate - 1.35% due April 2017	23,515	0
Guaranteed investment certificate - 1.8% due April 2018	23,558	0
Guaranteed investment certificate - 2.1% due April 2019	23,587	0
Guaranteed investment certificate - 2.2% due April 2020	23,596	0
Guaranteed investment certificate - 2.25% due April 2021	23,601	0
	<u>117,857</u>	<u>0</u>
Other financial assets reflected at amortized cost - cash and receivables	558,429	548,226
Total financial assets	<u>\$676,286</u>	<u>\$548,226</u>

**MENNOHOMES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

**5. DEFERRED INCOME**

	<u>2016</u>	<u>2015</u>
Funding designated for Special Needs:		
Opening balance	3,374	3,373
Designated funds received	0	0
Designated funds disbursed (recovered)	0	(1)
<u>Closing balance</u>	<u>\$3,374</u>	<u>\$3,374</u>

**6. COMMITMENTS, CONTINGENCIES, CONTRACTUAL OBLIGATIONS**

Bank overdraft

MennoHomes Inc. has access to an operating line of credit to a maximum of \$145,000 which bears interest at prime + 1% and is secured by a collateral mortgage on the Stirling Ave. and 27 Stillwater St., Elmira properties.

Region of Waterloo funding

MennoHomes Inc. has entered in loan agreements with the Region of Waterloo which requires MennoHomes Inc. to repay the loans plus accrued interest should MennoHomes Inc. default with respect to the terms of an agreement regarding the provision of affordable housing. The amount of the accrued interest is not accrued in these financial statements as the Board fully intends to comply with the agreement, however, should the terms be in default the total related contingent liability would be as follows:

Total interest due should default on all agreements occur: \$157,175

Restricted Net Assets

In addition to donations for Capital Projects which are unspent, MennoHomes Inc. has agreements with the Ministry of Municipal Affairs and Housing related to funding for their Village and Rockway projects, which require MennoHomes Inc. to set aside 2% of annual rents in a capital maintenance reserve. These funds are reflected as Externally Restricted Reserve Funds on the Statement of Financial Position. The Board has chosen to put additional funds in excess of the amounts required by the Ministry of Municipal Affairs and Housing in a capital maintenance reserve also. These amounts are reflected as Internally Restricted Reserve Funds on the Statement of Financial Position.

Memorial Ave., Elmira, ON

MennoHomes Inc. and Woolwich Community Services have entered into a Vacant Land Condominium Agreement for the purpose of purchasing land and constructing a building on Memorial Ave. in Elmira, ON. The land was purchased in January 2014. The property is currently being developed through a vacant land condominium. MennoHomes Inc. has a 58% interest in the land, and is responsible for 100% of the costs related to its portion of the land and 58% of common element costs related to the land. Both parties retain separate legal title to their respective buildings constructed on the property. In the current year, MennoHomes Inc. commenced with construction of 25 apartment units on the site. The projected costs for the entire project is approximately \$6,800,000. Projected costs include a contract for construction management totalling \$160,000. Funding for this cost will be provided by an interest-free loan from the Region of Waterloo for \$1,703,850 which will be forgiven after twenty-five years, a loan from Abundance Canada for \$1,700,000, current cash on hand and investments of \$1,317,444 Regional and Municipal credits of \$268,236, with the remaining funding to come from fundraising.

Lease obligation

MennoHomes Inc. has a lease obligation with respect to its office, which requires a monthly base rent payment of \$399, plus a pro rata share of common costs, which expires in October 2018.