

***MENNOHOMES INC.***  
FINANCIAL STATEMENTS  
AUGUST 31, 2018



**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, 2018, 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

**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 MennoHomes Inc. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess (deficit) of revenues over expenses, and cash flows, for the years ended August 31, 2018 and 2017, current assets as at August 31, 2018 and 2017, and net assets as at September 1, 2017 and August 31, 2018 and 2017. Our audit opinion on the financial statements for the year ended August 31, 2017 was also modified because of the possible effects of the same limitation in scope.

**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, 2018, 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.

*Cardy Winters & Simon LLP*

**Chartered Professional Accountants**  
**Licensed Public Accountants**  
**November 22, 2018**  
**Kitchener, ON**

***Cardy Winters & Simon*** LLP  
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# MENNOHOMES INC.

## STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2018

(With comparative figures as at August 31, 2017)

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

	2018				2017		
	<u>General Fund</u>	<u>Replacement Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>ASSETS</b>							
<b>CURRENT</b>							
Cash	0	158,567	343,971	502,538	75,815	110,000	185,815
Cash - Reserve Funds	0	0	0	0	54,293	0	54,293
Investments - Reserve Funds (note 4)	0	121,661	0	121,661	119,193	0	119,193
HST, rents and other receivables	22,659	1,075	37	23,771	166,362	0	166,362
Prepaid expenses	28,862	0	0	28,862	34,999	0	34,999
	51,521	281,303	344,008	676,832	450,662	110,000	560,662
<b>CAPITAL ASSETS</b> (note 2)	12,892,576	0	0	12,892,576	13,277,324	0	13,277,324
	\$12,944,097	\$281,303	\$344,008	\$13,569,408	\$13,727,986	\$110,000	\$13,837,986
<b>LIABILITIES</b>							
<b>CURRENT</b>							
Cash deficit	27,038	0	0	27,038	0	0	0
Accounts, payable and accrued	58,790	13,881	0	72,671	556,393	0	556,393
Government remittances payable	2,975	0	0	2,975	4,582	0	4,582
Deferred income (note 5)	1,874	0	0	1,874	3,374	0	3,374
Current portion of long-term debt (note 3)	3,514,920	0	10,000	3,524,920	3,553,463	10,000	3,563,463
	3,605,597	13,881	10,000	3,629,478	4,117,812	10,000	4,127,812
<b>LONG-TERM DEBT</b> (note 3)	5,246,176	0	90,000	5,336,176	5,281,613	100,000	5,381,613
<b>TOTAL LIABILITIES</b>	8,851,773	13,881	100,000	8,965,654	9,399,425	110,000	9,509,425
<b>NET ASSETS</b>							
Externally Restricted Reserves	0	46,723	0	46,723	68,143	0	68,143
Internally Restricted Reserves	0	220,699	0	220,699	105,343	0	105,343
Externally Restricted Donations	0	0	0	0	0	0	0
Unrestricted	(39,156)	0	0	(39,156)	(287,173)	0	(287,173)
Investment in capital assets	4,131,480	0	244,008	4,375,488	4,442,248	0	4,442,248
	4,092,324	267,422	244,008	4,603,754	4,328,561	0	4,328,561
	\$12,944,097	\$281,303	\$344,008	\$13,569,408	\$13,727,986	\$110,000	\$13,837,986

# MENNOHOMES INC.

## STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS

### FOR THE YEAR ENDED AUGUST 31, 2018

(With comparative figures for the year ended August 31, 2017)

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

	2018				2017		
	<u>General Fund</u>	<u>Replacement Reserve 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	182,075	0	244,113	426,188	0	916,749	916,749
Rental income	934,966	0	0	934,966	705,060	0	705,060
Government grants	103,480	0	0	103,480	103,480	0	103,480
Investment and other income	25,834	3,848	0	29,682	28,761	0	28,761
	<u>1,246,355</u>	<u>3,848</u>	<u>244,113</u>	<u>1,494,316</u>	<u>837,301</u>	<u>916,749</u>	<u>1,754,050</u>
<b>EXPENSES:</b>							
Mortgage interest	179,359	0	0	179,359	136,724	0	136,724
Amortization of capital assets	458,250	0	0	458,250	266,480	0	266,480
Repairs and maintenance	109,853	62,198	0	172,051	155,772	0	155,772
Utilities	53,220	0	0	53,220	38,018	0	38,018
Insurance	35,656	0	0	35,656	39,016	0	39,016
Property taxes, trillium benefit allowance (note 7)	45,197	0	0	45,197	147	0	147
Office and administration	44,924	0	105	45,029	44,606	4,929	49,535
Community Service Worker	3,655	0	0	3,655	3,166	0	3,166
Salaries and benefits	155,166	0	0	155,166	84,817	0	84,817
Management and superintendent	71,540	0	0	71,540	41,922	0	41,922
	<u>1,156,820</u>	<u>62,198</u>	<u>105</u>	<u>1,219,123</u>	<u>810,668</u>	<u>4,929</u>	<u>815,597</u>
<b>EXCESS (DEFICIT)</b>	89,535	(58,350)	244,008	275,193	26,633	911,820	938,453
<b>OTHER INCOME</b>							
Gain on sale of real estate	0	0	0	0	203,130	0	203,130
<b>EXCESS (DEFICIT) FOR THE YEAR</b>	<u>89,535</u>	<u>(58,350)</u>	<u>244,008</u>	<u>275,193</u>	<u>229,763</u>	<u>911,820</u>	<u>1,141,583</u>
<b>NET ASSETS - opening</b>	4,328,561	0	0	4,328,561	1,837,707	1,349,271	3,186,978
Interfund transfers							
Establishment of Reserve Fund	(173,486)	173,486	0	0	0	0	0
Budget transfers	(152,285)	152,285	0	0	0	0	0
Transfer on completion of construction:							
- Memorial Ave., Elmira	0	0	0	0	2,276,524	(2,276,524)	0
Operating expenses and construction	0	0	0	0	(15,433)	15,433	0
<b>NET ASSETS - closing</b>	<u>\$4,092,324</u>	<u>\$267,422</u>	<u>\$244,008</u>	<u>\$4,603,754</u>	<u>\$4,328,561</u>	<u>\$0</u>	<u>\$4,328,561</u>

# MENNOHOMES INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2018

(With comparative figures for the year ended August 31, 2017)

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

	2018				2017		
	<u>General Fund</u>	<u>Replacement Reserve 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>							
Excess (deficit) for the year	89,535	(58,350)	244,008	275,193	229,763	911,820	1,141,583
Items not affecting cash:							
Amortization of capital assets	458,250	0	0	458,250	266,480	0	266,480
Gain on sale of real estate	0	0	0	0	(203,130)	0	(203,130)
Change in non-cash current assets and liabilities:							
Investments - Reserve Funds	119,193	(121,661)	0	(2,468)	(1,336)	0	(1,336)
HST, rents and other receivables	143,703	(1,075)	(37)	142,591	(151,415)	6,867	(144,548)
Prepaid expenses	6,137	0	0	6,137	(2,466)	0	(2,466)
Accounts, payable and accrued	(497,604)	13,881	0	(483,723)	529,787	(201,064)	328,723
Government remittances payable	(1,607)	0	0	(1,607)	0	0	0
Deferred income (note 5)	(1,500)	0	0	(1,500)	0	0	0
	<u>316,107</u>	<u>(167,205)</u>	<u>243,971</u>	<u>392,873</u>	<u>667,683</u>	<u>717,623</u>	<u>1,385,306</u>
<b>INVESTING ACTIVITIES:</b>							
Investment in capital assets	(73,501)	0	0	(73,501)	(5,365,673)	1,634,646	(3,731,027)
Proceeds - sale of Stirling Ave.	0	0	0	0	302,334	0	302,334
	<u>(73,501)</u>	<u>0</u>	<u>0</u>	<u>(73,501)</u>	<u>(5,063,339)</u>	<u>1,634,646</u>	<u>(3,428,693)</u>
<b>FINANCING ACTIVITIES:</b>							
Interfund transfers	(325,772)	325,772	0	0	2,261,091	(2,261,091)	0
Long-term debt acquired	553,751	0	0	553,751	2,360,996	0	2,360,996
Long-term debt repaid	(627,731)	0	(10,000)	(637,731)	(229,908)	(400,023)	(629,931)
	<u>(399,752)</u>	<u>325,772</u>	<u>(10,000)</u>	<u>(83,980)</u>	<u>4,392,179</u>	<u>(2,661,114)</u>	<u>1,731,065</u>
<b>CHANGE IN FUNDS</b>	<u>(157,146)</u>	<u>158,567</u>	<u>233,971</u>	<u>235,392</u>	<u>(3,477)</u>	<u>(308,845)</u>	<u>(312,322)</u>
<b>CASH ON HAND - opening</b>	<u>130,108</u>	<u>0</u>	<u>110,000</u>	<u>240,108</u>	<u>133,585</u>	<u>418,845</u>	<u>552,430</u>
<b>CASH ON HAND - closing</b>	<u>(\$27,038)</u>	<u>\$158,567</u>	<u>\$343,971</u>	<u>\$475,500</u>	<u>\$130,108</u>	<u>\$110,000</u>	<u>\$240,108</u>
<b>REPRESENTED BY:</b>							
Cash	0	158,567	343,971	502,538	75,815	110,000	185,815
Cash - Reserve Funds	0	0	0	0	54,293	0	54,293
Cash deficit	(27,038)	0	0	(27,038)	0	0	0
	<u>(\$27,038)</u>	<u>\$158,567</u>	<u>\$343,971</u>	<u>\$475,500</u>	<u>\$130,108</u>	<u>\$110,000</u>	<u>\$240,108</u>

# **MENNOHOMES INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2018**

### **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 within Waterloo Region.

### **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 and are currently being rented. The **Replacement Reserve Fund** was formed in the current year, and assets which were previously reflected as restricted within the General Fund were transferred to it. Mennohomes maintains assets within this fund pursuant to 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. The Board has chosen to restrict additional funds for capital maintenance beyond those required by contractual agreements, which are also maintained in this fund. 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 for revenues, whereby donor-restricted donations are reflected as income in the fund for which they are designated. Unrestricted donations are reflected as revenue in the General Fund. All revenues are recorded when received or receivable, provided amounts are reasonably estimable and collection is reasonably assured. To the extent the restricted revenues are unspent, they are reflected as restricted net assets in the respective restricted fund, or deferred income in the General Fund, 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. Building costs include direct costs during construction, including interest and related management salaries during construction. Cost is amortized at the following annual rates:

Buildings	- 4% on the declining balance
Appliances, equipment, leasehold improvements	- 20% on the declining balance

#### **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.

# MENNOHOMES INC.

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018

### 1. SIGNIFICANT ACCOUNT POLICIES (continued)

#### 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.

### 2. CAPITAL ASSETS

	<u>Cost</u>	<u>2018</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2017</u> <u>Net Book</u> <u>Value</u>
Kitchener - The Village				
Land	212,851	0	212,851	212,851
Building	1,451,738	627,479	824,259	858,603
Appliances	30,158	28,832	1,326	1,658
	<u>1,694,747</u>	<u>656,311</u>	<u>1,038,436</u>	<u>1,073,112</u>
Kitchener - Rockway Gardens				
Land	555,321	0	555,321	555,321
Building	5,286,109	1,942,734	3,343,375	3,482,682
Appliances and equipment	87,326	78,900	8,426	9,543
	<u>5,928,756</u>	<u>2,021,634</u>	<u>3,907,122</u>	<u>4,047,546</u>
Wellesley				
Land	511,565	0	511,565	511,565
Building	1,033,207	245,049	788,158	820,998
Appliances	15,495	11,926	3,569	4,461
	<u>1,560,267</u>	<u>256,975</u>	<u>1,303,292</u>	<u>1,337,024</u>
Elmira				
Land	962,773	0	962,773	962,773
Building	6,096,573	503,471	5,593,102	5,778,110
Appliances	85,237	26,214	59,023	73,778
	<u>7,144,583</u>	<u>529,685</u>	<u>6,614,898</u>	<u>6,814,661</u>
Office equipment and leasehold improvements	33,672	4,844	28,828	4,981
<b>Total - General Fund</b>	<b>\$16,362,025</b>	<b>\$3,469,449</b>	<b>\$12,892,576</b>	<b>\$13,277,324</b>

### 3. LONG-TERM DEBT

#### Capital Projects

	<u>2018</u>	<u>2017</u>
Private loan, interest free, principal due July 2020, unsecured	80,000	80,000
Private loan, interest free, principal due at \$10,000 annually, unsecured	20,000	30,000
	<u>100,000</u>	<u>110,000</u>

#### Kitchener - The Village

Abundance Canada	623,199	668,324
The first mortgage payable bears interest at 3.15%, requires monthly principal and interest payments of \$5,477, matures in November 2018 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.		

# **MENNOHOMES INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2018**

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

	<b><u>2018</u></b>	<b><u>2017</u></b>
<b><u>Kitchener - The Village</u></b> (continued)		
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.		
	<hr/> 1,002,199	<hr/> 1,047,324
<b><u>Kitchener - Rockway Gardens</u></b>		
Abundance Canada		
The first mortgage bears interest at 3.15%, requires monthly principal and interest payments of \$13,117, matures in December 2018 and is secured by a first charge on the real estate known as "Rockway Gardens".	1,820,003	1,919,183
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	759,352	820,026
Ministry of Municipal Affairs and Housing	840,000	840,000
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.		
	<hr/> 3,419,355	<hr/> 3,579,209
<b><u>Wellesley</u></b>		
Abundance, Canada - Pond View, Wellesley	93,135	97,205
The first mortgage payable bears interest at 3.55%, requires monthly principal and interest payments of \$588, is secured by a first charge on the real estate and matures in August 2019.		
Ministry of Municipal Affairs and Housing - Pond View, Wellesley	480,000	480,000
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		



# **MENNOHOMES INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2018**

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

	<u><b>2018</b></u>	<u><b>2017</b></u>
<b><u>Wellesley</u></b> (continued)		
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 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 3.15%, requires monthly principal and interest payments of \$193, is secured by a first charge on the real estate and matures in November 2018.	35,871	37,041
	<hr/> 849,006	<hr/> 854,246
<b><u>Elmira</u></b>		
Abundance, Canada - 9, 11A and 11B Ratz Street, Elmira Mortgage payable which bears interest at 3.55%, requires monthly principal and interest payments of \$461, matures July 2019, secured by real estate.	73,156	76,004
Abundance, Canada - 7 Memorial Ave., Elmira Construction financing which bears interest at 3.15%, requires monthly principal and interest payments of \$6,253, matures May 2019, secured by a first charge on the real estate.	802,861	1,210,898
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.	150,669	157,298
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 totaling \$360,000, a general security agreement,	360,000	360,000
Regional Municipality of Waterloo - 7 Memorial Ave., Elmira Interest and principal payments will be forgiven in 2042, 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 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 charge on property totaling \$1,703,850, a performance bond from the general contractor, assignment of rents and insurance.	1,703,850	1,150,097
	<hr/> 3,490,536	<hr/> 3,354,297

**MENNOHOMES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

<b>3. LONG-TERM DEBT (continued)</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Total General Fund	8,761,096	8,835,076
Total Capital Projects Fund	100,000	110,000
<b>Total long-term debt</b>	<b>8,861,096</b>	<b>8,945,076</b>
Current portion		
Loans with terms maturing in the forthcoming year	3,458,224	3,206,085
Projected principal payments - loans with terms maturing beyond the forthcoming year	66,696	357,378
	<u>3,524,920</u>	<u>3,563,463</u>
<b>Long-term portion</b>	<b>\$5,336,176</b>	<b>\$5,381,613</b>

Projected repayment of long-term debt:	<u>fiscal year</u>	
	2019	3,524,920
	2020	160,063
	2021	73,969
	2022	78,094
	thereafter	5,024,050
		<u>\$8,861,096</u>

<b>4. FINANCIAL INSTRUMENTS</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Investments - reflected at amortized cost:		
Guaranteed investment certificate - 2.1% due April 2019	24,377	23,876
Guaranteed investment certificate - 2.2% due April 2020	24,425	23,899
Guaranteed investment certificate - 2.25% due April 2021	24,449	23,911
Guaranteed investment certificate - 2% due April 2022	24,175	23,701
Guaranteed investment certificate - 2.2% due April 2023	24,235	23,806
	<u>121,661</u>	<u>119,193</u>
Other financial assets reflected at amortized cost - cash and receivables (excluding HST)	512,575	303,201
<b>Total financial assets</b>	<b>\$634,236</b>	<b>\$422,394</b>

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.

<b>5. DEFERRED INCOME</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Funding designated for Special Needs:		
Opening balance	3,374	3,374
Designated funds received	0	0
Designated funds disbursed	(1,500)	0
<b>Closing balance</b>	<b>\$1,874</b>	<b>\$3,374</b>

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

Bank overdraft

MennoHomes Inc. has access to an operating line of credit to a maximum of \$28,000 which bears interest at prime + 1% and is secured by a collateral mortgage on 27 Stillwater St., Elmira.

**MENNOHOMES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. COMMITMENTS, CONTINGENCIES, CONTRACTUAL OBLIGATIONS** (continued)

Region of Waterloo funding

MennoHomes Inc. has entered in loan agreements with the Region of Waterloo which require 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: \$501,790

Lease obligation

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

**7. PROPERTY TAX, TRILLIUM BENEFIT ALLOWANCE**

In the 2017 fiscal year, MennoHomes Inc. received confirmation of a municipal tax exemption on most of its properties, effective January 2016. Most of the 2016 municipal tax which had been paid, and was subsequently refunded by the municipalities, was paid to the tenants of the respective properties to compensate them for a possible loss of the Ontario Trillium Benefit on their personal income tax returns. In the current fiscal year, MennoHomes Inc. has continued to compensate tenants for their estimated loss of the Ontario Trillium Benefit.

**8. COMPARATIVE FIGURES**

Some comparative revenue and expense figures have been restated to comply with financial statement format adopted for the current year.