

MENNOHOMES INC.
FINANCIAL STATEMENTS
AUGUST 31, 2019

Approved on behalf of the Board of Directors:



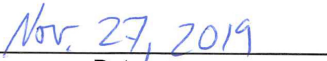
Nancy Regehr, Chair & President



Date



Chip Bender, Secretary



Date



INDEPENDENT AUDITORS' REPORT To the Directors of MennoHomes Inc.

Qualified Opinion

We have audited the financial statements of MennoHomes Inc., which comprise the statement of financial position as at August 31, 2019, and the statement of operations and change in net assets, and the statement of 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 of Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of MennoHomes Inc. as at August 31, 2019 and its results of operations, changes in net assets, and cash flows, for the year then ended, in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Basis of Qualified Opinion

In common with many charitable 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, 2019 and 2018, current assets as at August 31, 2019 and 2018, and net assets as at September 1, 2018 and August 31, 2019 and 2018. Our audit opinion on the financial statements for the year ended August 31, 2018 was also modified because of the possible effects of the same limitation in 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 entity 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.

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

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

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

Auditors' 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 auditors' 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 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 Company'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.

Cardy Winters & Simon LLP

November 27, 2019
Kitchener, ON

Cardy Winters & Simon LLP

Chartered Professional Accountants
Licensed Public Accountants
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MENNOHOMES INC.**STATEMENT OF FINANCIAL POSITION****AS AT AUGUST 31, 2019**

(With comparative figures as at August 31, 2018)

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

	2019				2018			
	<u>General Fund</u>	<u>Replacement Reserve Fund</u>	<u>New Projects Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Replacement Reserve Fund</u>	<u>New Projects Fund</u>	<u>Total</u>
ASSETS								
CURRENT								
Cash	285,280	178,221	395,618	859,119	0	158,567	343,971	502,538
Investments - Reserve Funds (note 4)	0	124,277	0	124,277	0	121,661	0	121,661
HST, rents and other receivables	9,929	1,464	365	11,758	22,659	1,075	37	23,771
Prepaid expenses	32,838	0	0	32,838	28,862	0	0	28,862
	328,047	303,962	395,983	1,027,992	51,521	281,303	344,008	676,832
CAPITAL ASSETS (note 2)	12,463,354	0	522,734	12,986,088	12,892,576	0	0	12,892,576
	\$12,791,401	\$303,962	\$918,717	\$14,014,080	\$12,944,097	\$281,303	\$344,008	\$13,569,408
LIABILITIES								
CURRENT								
Cash deficit	0	0	0	0	27,038	0	0	27,038
Accounts, payable and accrued	41,451	1,091	0	42,542	58,790	13,881	0	72,671
Government remittances payable	3,100	0	0	3,100	2,975	0	0	2,975
Deferred income (note 5)	1,874	0	0	1,874	1,874	0	0	1,874
Current portion of long-term debt (note 3)	3,819,795	0	0	3,819,795	3,514,920	0	10,000	3,524,920
	3,866,220	1,091	0	3,867,311	3,605,597	13,881	10,000	3,629,478
LONG-TERM DEBT (note 3)	5,172,011	0	80,000	5,252,011	5,246,176	0	90,000	5,336,176
TOTAL LIABILITIES	9,038,231	1,091	80,000	9,119,322	8,851,773	13,881	100,000	8,965,654
NET ASSETS								
Externally Restricted Reserves	0	42,766	0	42,766	0	46,723	0	46,723
Internally Restricted Reserves	0	260,105	0	260,105	0	220,699	0	220,699
Externally Restricted Donations	0	0	315,983	315,983	0	0	344,008	344,008
Unrestricted	281,622	0	0	281,622	(39,156)	0	0	(39,156)
Investment in capital assets	3,471,548	0	522,734	3,994,282	4,131,480	0	(100,000)	4,031,480
	3,753,170	302,871	838,717	4,894,758	4,092,324	267,422	244,008	4,603,754
	\$12,791,401	\$303,962	\$918,717	\$14,014,080	\$12,944,097	\$281,303	\$344,008	\$13,569,408

MENNOHOMES INC.

STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2019

(With comparative figures for the year ended August 31, 2018)

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

	2019				2018			
	<u>General Fund</u>	<u>Replacement Reserve Fund</u>	<u>New Projects Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Replacement Reserve Fund</u>	<u>New Projects Fund</u>	<u>Total</u>
REVENUES:								
Donations and fundraising	104,160	0	292,711	396,871	182,075	0	244,113	426,188
Rental income	951,864	0	0	951,864	934,966	0	0	934,966
Government grants	103,480	0	0	103,480	103,480	0	0	103,480
Investment and other income	13,120	4,139	0	17,259	25,834	3,848	0	29,682
	<u>1,172,624</u>	<u>4,139</u>	<u>292,711</u>	<u>1,469,474</u>	<u>1,246,355</u>	<u>3,848</u>	<u>244,113</u>	<u>1,494,316</u>
EXPENSES:								
Mortgage interest	169,839	0	0	169,839	179,359	0	0	179,359
Amortization of capital assets	438,514	0	0	438,514	458,250	0	0	458,250
Repairs and maintenance	110,910	46,576	0	157,486	109,853	62,198	0	172,051
Utilities	60,109	0	0	60,109	53,220	0	0	53,220
Insurance	36,808	0	0	36,808	35,656	0	0	35,656
Property taxes, trillium benefit allowance	50,742	0	0	50,742	45,197	0	0	45,197
Office and administration	50,333	120	336	50,789	48,579	0	105	48,684
Salaries and benefits	136,262	0	0	136,262	155,166	0	0	155,166
Management and superintendent	77,921	0	0	77,921	71,540	0	0	71,540
	<u>1,131,438</u>	<u>46,696</u>	<u>336</u>	<u>1,178,470</u>	<u>1,156,820</u>	<u>62,198</u>	<u>105</u>	<u>1,219,123</u>
EXCESS (DEFICIT) FOR THE YEAR	41,186	(42,557)	292,375	291,004	89,535	(58,350)	244,008	275,193
NET ASSETS - opening	4,092,324	267,422	244,008	4,603,754	4,328,561	0	0	4,328,561
Interfund transfers								
Establishment of Reserve Fund	0	0	0	0	(173,486)	173,486	0	0
Budget transfers	(78,007)	78,007	0	0	(152,285)	152,285	0	0
Construction transfers:								
- Bridgeport & Lancaster project (note 6)	(302,334)	0	302,334	0	0	0	0	0
NET ASSETS - closing	<u>\$3,753,170</u>	<u>\$302,871</u>	<u>\$838,717</u>	<u>\$4,894,758</u>	<u>\$4,092,324</u>	<u>\$267,422</u>	<u>\$244,008</u>	<u>\$4,603,754</u>

MENNOHOMES INC.**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019**

(With comparative figures for the year ended August 31, 2018)

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

	2019				2018			
	<u>General Fund</u>	<u>Replacement Reserve Fund</u>	<u>New Projects Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Replacement Reserve Fund</u>	<u>New Projects Fund</u>	<u>Total</u>
SOURCES (USES) OF CASH:								
OPERATING ACTIVITIES:								
Excess (deficit) for the year	41,186	(42,557)	292,375	291,004	89,535	(58,350)	244,008	275,193
Items not affecting cash:								
Amortization of capital assets	438,514	0	0	438,514	458,250	0	0	458,250
Change in non-cash current assets and liabilities:								
Investments - Reserve Funds	0	(2,616)	0	(2,616)	119,193	(121,661)	0	(2,468)
HST, rents and other receivables	12,730	(389)	(328)	12,013	143,703	(1,075)	(37)	142,591
Prepaid expenses	(3,976)	0	0	(3,976)	6,137	0	0	6,137
Accounts, payable and accrued	(17,339)	(12,790)	0	(30,129)	(497,604)	13,881	0	(483,723)
Government remittances payable	125	0	0	125	(1,607)	0	0	(1,607)
Deferred income (note 5)	0	0	0	0	(1,500)	0	0	(1,500)
	<u>471,240</u>	<u>(58,352)</u>	<u>292,047</u>	<u>704,935</u>	<u>316,107</u>	<u>(167,205)</u>	<u>243,971</u>	<u>392,873</u>
INVESTING ACTIVITIES:								
Investment in capital assets	(9,292)	0	(522,734)	(532,026)	(73,501)	0	0	(73,501)
FINANCING ACTIVITIES:								
Interfund transfers	(380,341)	78,007	302,334	0	(325,772)	325,772	0	0
Long-term debt acquired	492,027	0	0	492,027	553,751	0	0	553,751
Long-term debt repaid	(261,317)	0	(20,000)	(281,317)	(627,731)	0	(10,000)	(637,731)
	<u>(149,631)</u>	<u>78,007</u>	<u>282,334</u>	<u>210,710</u>	<u>(399,752)</u>	<u>325,772</u>	<u>(10,000)</u>	<u>(83,980)</u>
CHANGE IN FUNDS	<u>312,317</u>	<u>19,655</u>	<u>51,647</u>	<u>383,619</u>	<u>(157,146)</u>	<u>158,567</u>	<u>233,971</u>	<u>235,392</u>
CASH ON HAND - opening	<u>(27,038)</u>	<u>158,567</u>	<u>343,971</u>	<u>475,500</u>	<u>130,108</u>	<u>0</u>	<u>110,000</u>	<u>240,108</u>
CASH ON HAND - closing	<u>\$285,280</u>	<u>\$178,221</u>	<u>\$395,618</u>	<u>\$859,119</u>	<u>(\$27,038)</u>	<u>\$158,567</u>	<u>\$343,971</u>	<u>\$475,500</u>
REPRESENTED BY:								
Cash	285,280	178,221	395,618	859,119	0	158,567	343,971	502,538
Cash deficit	0	0	0	0	(27,038)	0	0	(27,038)
	<u>\$285,280</u>	<u>\$178,221</u>	<u>\$395,618</u>	<u>\$859,119</u>	<u>(\$27,038)</u>	<u>\$158,567</u>	<u>\$343,971</u>	<u>\$475,500</u>

MENNOHOMES INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2019

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. Mennohomes maintains assets within the **Replacement Reserve Fund** pursuant to agreements with the Ministry of Municipal Affairs and Housing related to funding for their Village, Rockway and Memorial Ave. 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 **New Projects Fund** (formerly 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 New 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 construction costs, including interest, plus related management salaries during construction and some fundraising costs (note 7). 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, 2019

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>2019</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2018</u> <u>Net Book</u> <u>Value</u>
Kitchener - The Village				
Land	212,851	0	212,851	212,851
Building	1,451,738	660,449	791,289	824,259
Appliances	30,158	29,097	1,061	1,326
	<u>1,694,747</u>	<u>689,546</u>	<u>1,005,201</u>	<u>1,038,436</u>
Kitchener - Rockway Gardens				
Land	555,321	0	555,321	555,321
Building	5,286,109	2,076,469	3,209,640	3,343,375
Appliances and equipment	87,326	80,585	6,741	8,426
	<u>5,928,756</u>	<u>2,157,054</u>	<u>3,771,702</u>	<u>3,907,122</u>
Wellesley				
Land	511,565	0	511,565	511,565
Building	1,033,207	276,575	756,632	788,158
Appliances	15,495	12,640	2,855	3,569
	<u>1,560,267</u>	<u>289,215</u>	<u>1,271,052</u>	<u>1,303,292</u>
Elmira				
Land	962,773	0	962,773	962,773
Building	6,099,803	727,260	5,372,543	5,593,102
Appliances	85,237	38,019	47,218	59,023
	<u>7,147,813</u>	<u>765,279</u>	<u>6,382,534</u>	<u>6,614,898</u>
Office equipment and leasehold improvements	39,734	6,869	32,865	28,828
Total - General Fund	16,371,317	3,907,963	12,463,354	12,892,576
New projects				
Bridgeport & Lancaster project (note 6)	522,734	0	522,734	0
	\$16,894,051	\$3,907,963	\$12,986,088	\$12,892,576

3. LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
<u>New Projects</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	0	20,000
	<u>80,000</u>	<u>100,000</u>

Kitchener - The Village

Abundance Canada 577,582 623,199
The first mortgage payable bears interest at 3.85%, requires monthly principal and interest payments of \$5,681, matures in November 2019 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 (continued)

MENNOHOMES INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2019

	<u>2019</u>	<u>2018</u>
3. LONG-TERM DEBT (continued)		
<u>Kitchener - The Village</u> (continued)		
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.		
	956,582	1,002,199
<u>Kitchener - Rockway Gardens</u>		
Abundance Canada		
The first mortgage bears interest at 4%, requires monthly principal and interest payments of \$13,844, matures in December 2019 and is secured by a first charge on the real estate known as "Rockway Gardens".	1,722,774	1,820,003
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'.	695,172	759,352
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.		
	3,257,946	3,419,355
<u>Wellesley</u>		
Abundance, Canada - Pond View, Wellesley	89,089	93,135
The first mortgage payable bears interest at 4.25%, requires monthly principal and interest payments of \$607, is secured by a first charge on the real estate and matures in August 2020.		
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 estate and an assignment of rents.		

MENNOHOMES INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2019

3. LONG-TERM DEBT (continued)

	<u>2019</u>	<u>2018</u>
<u>Wellesley</u> (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 3.85%, requires monthly principal and interest payments of \$205, is secured by a first charge on the real estate and matures in November 2019.	34,738	35,871
	<hr/> 843,827	<hr/> 849,006
<u>Elmira</u>		
Abundance, Canada - 9, 11A and 11B Ratz Street, Elmira Mortgage payable which bears interest at 4.25%, requires monthly principal and interest payments of \$483, matures July 2020, secured by real estate.	70,192	73,156
Abundance, Canada - 7 Memorial Ave., Elmira Mortgage payable which bears interest at 4%, requires monthly principal and interest payments of \$6575, matures May 2020, secured by real estate.	1,245,358	802,861
Kindred 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.	144,051	150,669
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, assignment of rents and insurance.	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	1,703,850
	<hr/> 3,923,451	<hr/> 3,490,536

MENNOHOMES INC.
NOTES TO THE FINANCIAL STATEMENTS
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3. LONG-TERM DEBT (continued)	<u>2019</u>	<u>2018</u>
<u>Elmira (continued)</u>		
Private loan, interest free, principal due at \$10,000 annually, unsecured	10,000	0
	<u>3,933,451</u>	<u>3,490,536</u>
Total General Fund	8,991,806	8,761,096
Total New Projects Fund	80,000	100,000
Total long-term debt	9,071,806	8,861,096
Current portion		
Loans with terms maturing in the forthcoming year	3,539,214	3,258,224
Projected principal payments - loans with terms maturing beyond the forthcoming year	280,581	266,696
	<u>3,819,795</u>	<u>3,524,920</u>
Long-term portion	<u>\$5,252,011</u>	<u>\$5,336,176</u>

Projected repayment of long-term debt:	<u>fiscal year</u>	
	2020	3,819,795
	2021	292,372
	2022	75,031
	2023	79,214
	thereafter	4,805,394
		<u>\$9,071,806</u>

4. FINANCIAL INSTRUMENTS

	<u>2019</u>	<u>2018</u>
Investments - reflected at amortized cost:		
Guaranteed investment certificate - 2.1% due April 2019	0	24,377
Guaranteed investment certificate - 2.2% due April 2020	24,963	24,425
Guaranteed investment certificate - 2.25% due April 2021	24,999	24,449
Guaranteed investment certificate - 2% due April 2022	24,658	24,175
Guaranteed investment certificate - 2.2% due April 2023	24,768	24,235
Guaranteed investment certificate - 3% due April 2024	24,889	0
	<u>124,277</u>	<u>121,661</u>
Other financial assets reflected at amortized cost - cash and receivables (excluding HST)	859,292	512,575
Total financial assets	<u>\$983,569</u>	<u>\$634,236</u>

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.

5. DEFERRED INCOME

	<u>2019</u>	<u>2018</u>
Funding designated for Special Needs:		
Opening balance	1,874	3,374
Designated funds received	0	0
Designated funds disbursed	0	(1,500)
Closing balance	<u>\$1,874</u>	<u>\$1,874</u>

MENNOHOMES INC.
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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.

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: \$657,314

Lease obligation

MennoHomes Inc. has a lease obligation with respect to its office requiring a monthly base rent payment of \$646 plus a pro rata share of common costs of approximately \$430 monthly, which expires in August 2021.

Capital Assets - New Projects - Bridgeport & Lancaster project

In the current fiscal year, MennoHomes Inc. entered into a Members Agreement with a local church. MennoHomes Inc. and the church established a not-for-profit corporation, the purpose of which is to redevelop the church's current property into a new church facility and a non-profit residential facility. It will exclusively service persons of low income and senior citizens and disabled persons of low or modest income. All resulting properties will be owned by the Members through a condominium corporation. The church will be contributing its real estate to the not-for-profit corporation, MennoHomes Inc. will be securing funding for the redevelopment, which is budgeted at approximately fourteen million dollars. The balance reflected under New Projects in Capital Assets on the statement of financial position represents funds advanced to the non-profit corporation to date.

7 ALLOCATION OF COSTS TO NEW PROJECTS

MennoHomes Inc. incurs certain administrative and fundraising costs related to new projects. These costs are capitalized along with direct costs incurred related to the new project. Administrative and fundraising costs capitalized to new projects are as follows:

	<u>2019</u>	<u>2018</u>
Staff salaries and benefits	21,263	0
Fundraising costs	2,416	0
	<u>\$23,679</u>	<u>\$0</u>