

MENNOHOMES INC.
FINANCIAL STATEMENTS
AUGUST 31, 2017



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, 2017, 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

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, excess (deficit) for the year 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, 2017, 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, 2017
Kitchener, ON

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MENNOHOMES INC.

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2017

(With comparative figures as at August 31, 2016)

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

	2017			2016		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS						
CURRENT						
Cash	75,815	110,000	185,815	38,008	418,845	456,853
Cash - Reserve Funds	54,293	0	54,293	95,577	0	95,577
Investments - Reserve Funds (note 4)	119,193	0	119,193	117,857	0	117,857
HST, rents and other receivables (note 8)	166,362	0	166,362	14,947	6,867	21,814
Prepaid expenses	34,999	0	34,999	32,533	0	32,533
	<u>450,662</u>	<u>110,000</u>	<u>560,662</u>	<u>298,922</u>	<u>425,712</u>	<u>724,634</u>
CAPITAL ASSETS (note 2)	<u>13,277,324</u>	<u>0</u>	<u>13,277,324</u>	<u>8,277,335</u>	<u>1,634,646</u>	<u>9,911,981</u>
	<u>\$13,727,986</u>	<u>\$110,000</u>	<u>\$13,837,986</u>	<u>\$8,576,257</u>	<u>\$2,060,358</u>	<u>\$10,636,615</u>
LIABILITIES						
CURRENT						
Accounts, payable and accrued	556,393	0	556,393	26,605	201,064	227,669
Government remittances payable	4,582	0	4,582	4,583	0	4,583
Deferred income (note 5)	3,374	0	3,374	3,374	0	3,374
Current portion of long-term debt (note 3)	<u>3,553,463</u>	<u>10,000</u>	<u>3,563,463</u>	<u>2,950,932</u>	<u>400,023</u>	<u>3,350,955</u>
	<u>4,117,812</u>	<u>10,000</u>	<u>4,127,812</u>	<u>2,985,494</u>	<u>601,087</u>	<u>3,586,581</u>
LONG-TERM DEBT (note 3)	<u>5,281,613</u>	<u>100,000</u>	<u>5,381,613</u>	<u>3,753,056</u>	<u>110,000</u>	<u>3,863,056</u>
NET ASSETS						
Externally Restricted Reserves (note 6)	68,143	0	68,143	110,992	0	110,992
Internally Restricted Reserves (note 6)	105,343	0	105,343	102,442	0	102,442
Externally Restricted Donations	0	0	0	0	224,648	224,648
Unrestricted	(287,173)	0	(287,173)	50,926	0	50,926
Investment in capital assets	<u>4,442,248</u>	<u>0</u>	<u>4,442,248</u>	<u>1,573,347</u>	<u>1,124,623</u>	<u>2,697,970</u>
	<u>4,328,561</u>	<u>0</u>	<u>4,328,561</u>	<u>1,837,707</u>	<u>1,349,271</u>	<u>3,186,978</u>
	<u>\$13,727,986</u>	<u>\$110,000</u>	<u>\$13,837,986</u>	<u>\$8,576,257</u>	<u>\$2,060,358</u>	<u>\$10,636,615</u>

MENNOHOMES INC.

STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2017

(With comparative figures for the year ended August 31, 2016)

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

	2017			2016		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES:						
Donations and fundraising	0	916,749	916,749	1,750	751,670	753,420
Rental income	705,060	0	705,060	685,676	0	685,676
Government grants	103,480	0	103,480	103,480	0	103,480
Investment and other income	22,313	0	22,313	30,411	1,569	31,980
	<u>830,853</u>	<u>916,749</u>	<u>1,747,602</u>	<u>821,317</u>	<u>753,239</u>	<u>1,574,556</u>
EXPENSES:						
Mortgage interest	136,724	0	136,724	144,797	0	144,797
Amortization of capital assets	266,480	0	266,480	281,423	0	281,423
Repairs and maintenance	155,772	0	155,772	113,623	0	113,623
Utilities	38,018	0	38,018	45,742	0	45,742
Insurance	39,016	0	39,016	37,944	0	37,944
Property taxes (recovery - note 7)	(6,301)	0	(6,301)	118,129	0	118,129
Office and administration	44,606	4,929	49,535	41,549	7,152	48,701
Community Service Worker	3,166	0	3,166	3,139	0	3,139
Salaries and benefits	84,817	0	84,817	77,065	0	77,065
Management and superintendent	41,922	0	41,922	44,969	0	44,969
	<u>804,220</u>	<u>4,929</u>	<u>809,149</u>	<u>908,380</u>	<u>7,152</u>	<u>915,532</u>
EXCESS (DEFICIT)	26,633	911,820	938,453	(87,063)	746,087	659,024
OTHER INCOME						
Gain on sale of real estate	203,130	0	203,130	0	0	0
EXCESS (DEFICIT) FOR THE YEAR	229,763	911,820	1,141,583	(87,063)	746,087	659,024
NET ASSETS - opening	1,837,707	1,349,271	3,186,978	1,900,210	627,744	2,527,954
Interfund transfers						
Private loans for construction	0	0	0	100,000	(100,000)	0
Cash transfer - to support construction	0	0	0	(75,000)	75,000	0
Transfer on completion of construction						
- Memorial Ave., Elmira	2,276,524	(2,276,524)	0	0	0	0
Operating expenses and construction	(15,433)	15,433	0	(440)	440	0
NET ASSETS - closing	<u>\$4,328,561</u>	<u>\$0</u>	<u>\$4,328,561</u>	<u>\$1,837,707</u>	<u>\$1,349,271</u>	<u>\$3,186,978</u>

MENNOHOMES INC.**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED AUGUST 31, 2017**

(With comparative figures for the year ended August 31, 2016)

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

	2017			2016		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
SOURCES (USES) OF CASH:						
OPERATING ACTIVITIES:						
Excess (deficit) for the year	229,763	911,820	1,141,583	(87,063)	746,087	659,024
Items not affecting cash:						
Amortization of capital assets	266,480	0	266,480	281,423	0	281,423
Gain on sale of real estate	(203,130)	0	(203,130)	0	0	0
Change in non-cash current assets and liabilities:						
Investments - Reserve Funds	(1,336)	0	(1,336)	(117,856)	0	(117,856)
HST, rents and other receivables	(151,415)	6,867	(144,548)	4,689	(6,104)	(1,415)
Prepaid expenses	(2,466)	0	(2,466)	(1,953)	0	(1,953)
Accounts, payable and accrued	529,787	(201,064)	328,723	6,235	201,064	207,299
Government remittances payable	0	0	0	2,184	0	2,184
	<u>667,683</u>	<u>717,623</u>	<u>1,385,306</u>	<u>87,659</u>	<u>941,047</u>	<u>1,028,706</u>
INVESTING ACTIVITIES:						
Investment in capital assets	(5,365,673)	1,634,646	(3,731,027)	0	(823,726)	(823,726)
Proceeds - sale of Stirling Ave.	302,334	0	302,334	0	0	0
	<u>(5,063,339)</u>	<u>1,634,646</u>	<u>(3,428,693)</u>	<u>0</u>	<u>(823,726)</u>	<u>(823,726)</u>
FINANCING ACTIVITIES:						
Interfund transfers	2,261,091	(2,261,091)	0	24,560	(24,560)	0
Long-term debt acquired	2,360,996	0	2,360,996	0	510,023	510,023
Long-term debt repaid	(229,908)	(400,023)	(629,931)	(306,628)	(389,567)	(696,195)
	<u>4,392,179</u>	<u>(2,661,114)</u>	<u>1,731,065</u>	<u>(282,068)</u>	<u>95,896</u>	<u>(186,172)</u>
CHANGE IN FUNDS	<u>(3,477)</u>	<u>(308,845)</u>	<u>(312,322)</u>	<u>(194,409)</u>	<u>213,217</u>	<u>18,808</u>
CASH ON HAND - opening	<u>133,585</u>	<u>418,845</u>	<u>552,430</u>	<u>327,994</u>	<u>205,628</u>	<u>533,622</u>
CASH ON HAND - closing	<u>\$130,108</u>	<u>\$110,000</u>	<u>\$240,108</u>	<u>\$133,585</u>	<u>\$418,845</u>	<u>\$552,430</u>
REPRESENTED BY:						
Cash	75,815	110,000	185,815	38,008	418,845	456,853
Cash - Reserve Funds	54,293	0	54,293	95,577	0	95,577
	<u>\$130,108</u>	<u>\$110,000</u>	<u>\$240,108</u>	<u>\$133,585</u>	<u>\$418,845</u>	<u>\$552,430</u>

MENNOHOMES INC.

NOTES TO THE FINANCIAL STATEMENTS

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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. 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. 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

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.

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, 2017

2. CAPITAL ASSETS

General Fund	<u>Cost</u>	<u>2017</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2016</u> <u>Net Book</u> <u>Value</u>
	Kitchener - The Village			
Land	212,851	0	212,851	212,851
Building	1,451,738	593,135	858,603	894,379
Appliances	30,158	28,500	1,658	2,073
	<u>1,694,747</u>	<u>621,635</u>	<u>1,073,112</u>	<u>1,109,303</u>
Kitchener - Rockway Gardens				
Land	555,321	0	555,321	555,321
Building	5,286,109	1,803,427	3,482,682	3,627,794
Appliances and equipment	81,721	72,178	9,543	11,929
	<u>5,923,151</u>	<u>1,875,605</u>	<u>4,047,546</u>	<u>4,195,044</u>
Kitchener - Stirling Avenue				
Land	0	0	0	30,000
Building	0	0	0	68,876
Appliances	0	0	0	327
	<u>0</u>	<u>0</u>	<u>0</u>	<u>99,203</u>
Wellesley				
Land	511,565	0	511,565	511,565
Building	1,033,207	212,209	820,998	855,206
Appliances	15,495	11,034	4,461	5,576
	<u>1,560,267</u>	<u>223,243</u>	<u>1,337,024</u>	<u>1,372,347</u>
Elmira				
Land	962,773	0	962,773	357,825
Building	6,049,516	271,406	5,778,110	1,134,638
Appliances	85,237	11,459	73,778	5,885
	<u>7,097,526</u>	<u>282,865</u>	<u>6,814,661</u>	<u>1,498,348</u>
Office equipment and leasehold improvements	12,833	7,852	4,981	3,090
Total - General Fund	16,288,524	3,011,200	13,277,324	8,277,335
Capital Projects				
Land - Elmira - Memorial Ave.	0	0	0	604,948
Building - Elmira - Memorial Ave.	0	0	0	1,029,698
Total - Capital Projects Fund	0	0	0	1,634,646
	\$16,288,524	\$3,011,200	\$13,277,324	\$9,911,981

3. LONG-TERM DEBT

<u>Capital Projects</u>	<u>2017</u>	<u>2016</u>
Abundance Canada	0	390,023
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	80,000
Private loan, interest free, principal due at \$10,000 annually, unsecured	30,000	40,000
	<u>110,000</u>	<u>510,023</u>

MENNOHOMES INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2017

3. LONG-TERM DEBT (continued)

	<u>2017</u>	<u>2016</u>
<u>Kitchener - The Village</u>		
Abundance Canada	668,324	712,383
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.		
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>1,047,324</u>	<u>1,091,383</u>
<u>Kitchener - Rockway Gardens</u>		
Abundance Canada	1,919,183	2,016,145
The first mortgage bears interest at 3.1%, requires monthly principal and interest payments of \$13,072, matures in December 2017 and is secured by a first charge on the real estate known as "Rockway Gardens".		
Abundance Canada	820,026	877,607
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'.		
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.		
	<u>3,579,209</u>	<u>3,733,752</u>

MENNOHOMES INC.

NOTES TO THE FINANCIAL STATEMENTS

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3. LONG-TERM DEBT (continued)

	<u>2017</u>	<u>2016</u>
<u>Kitchener - Stirling Avenue</u>		
Kindred Credit Union		
Repaid on sale of property	0	17,212
<u>Wellesley</u>		
Abundance, Canada - Pond View, Wellesley	97,205	101,165
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 2018.		
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		
Regional Municipality of Waterloo - David Street, Wellesley	240,000	240,000
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.		
Abundance, Canada - David Street, Wellesley	37,041	38,173
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.		
	<u>854,246</u>	<u>859,338</u>
<u>Elmira</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.		
	76,004	78,736
Abundance, Canada - 7 Memorial Ave., Elmira		
Construction financing which bears interest at 3.15%, payments at the discretion of the mortgagee, matures May 2018, secured by a first charge on the real estate.		
	1,210,898	0
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.		
	157,298	163,567
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

MENNOHOMES INC.
NOTES TO THE FINANCIAL STATEMENTS
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3. LONG-TERM DEBT (continued)

	<u>2017</u>	<u>2016</u>
<u>Elmira</u> (continued)		
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	360,000	360,000
Regional Municipality of Waterloo - 7 Memorial Ave., Elmira		
Construction advances to date of a total of \$1,703,850 to be advanced, 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 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 charge on property totaling \$1,703,850, a performance bond from the general contractor, assignment of rents and insurance.	1,150,097	0
	<u>3,354,297</u>	<u>1,002,303</u>
Total Capital Projects Fund	110,000	510,023
Total General Fund	8,835,076	6,703,988
Total long-term debt	8,945,076	7,214,011
Current portion		
Mortgages with terms maturing in the forthcoming year	3,206,085	3,128,551
Projected principal payments - mortgages with terms maturing beyond the forthcoming year	357,378	222,404
	<u>3,563,463</u>	<u>3,350,955</u>
Long-term portion	<u>\$5,381,613</u>	<u>\$3,863,056</u>
Projected repayment of long-term debt:		
	<u>fiscal year</u>	
	2018	3,563,463
	2019	704,269
	2020	274,909
	2021	1,472,209
	thereafter	<u>2,930,226</u>
		<u>\$8,945,076</u>

4. FINANCIAL INSTRUMENTS

	<u>2017</u>	<u>2016</u>
Investments - reflected at amortized cost:		
Guaranteed investment certificate - 1.8% due April 2018	23,806	23,558
Guaranteed investment certificate - 2.1% due April 2019	23,876	23,587
Guaranteed investment certificate - 2.2% due April 2020	23,899	23,596
Guaranteed investment certificate - 2.25% due April 2021	23,911	23,601
Guaranteed investment certificate - 2% due April 2022	23,701	23,515
	<u>119,193</u>	<u>117,857</u>
Other financial assets reflected at amortized cost - cash and receivables	303,201	558,429
Total financial assets	<u>\$422,394</u>	<u>\$676,286</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.

MENNOHOMES INC.
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5. DEFERRED INCOME

	<u>2017</u>	<u>2016</u>
Funding designated for Special Needs:		
Opening balance	3,374	3,374
Designated funds received	0	0
Designated funds disbursed (recovered)	0	0
Closing balance	\$3,374	\$3,374

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 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: \$325,390

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 in the General Fund 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 in the General Fund on the Statement of Financial Position.

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 (RECOVERY)

In the current 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.

8. RENTS RECEIVABLE

HST, rents and other receivables contain an allowance for the doubtful collection of rents receivable of \$7,754.