

**MENNOHOMES INC.**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2021**

Approved on behalf of the Board of Directors:

  
\_\_\_\_\_  
Nancy Regehr, Chair & President

  
\_\_\_\_\_  
John Oudyk, Secretary



## **INDEPENDENT AUDITOR'S REPORT** **To the Directors of MennoHomes Inc.**

### **Opinion**

I have audited the financial statements of MennoHomes Inc., which comprise the statement of financial position as at August 31, 2021, 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 my opinion the accompanying financial statements present fairly, in all material respects, the financial position of MennoHomes Inc. as at August 31, 2021 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.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

*E.M. Simon CPA*

November 29, 2021  
Kitchener, ON

### **E.M. Simon CPA Professional Corporation**

Authorized to practise public accounting by the Chartered Professional Accountants of Ontario  
1183 King Street East, suite #3, Kitchener, ON N2G 2N3  
simon@simoncorp.ca Ph. (519) 744-1650 Fax (519) 576-0888

**MENNOHOMES INC.****STATEMENT OF FINANCIAL POSITION****AS AT AUGUST 31, 2021**

(With comparative figures as at August 31, 2020)

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

	2021				2020			
	<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>
<b>ASSETS</b>								
<b>CURRENT</b>								
Cash	989,127	227,194	37,234	1,253,555	402,542	179,608	1,420,533	2,002,683
Investments - Reserve Funds (note 2)	0	130,193	47,308	177,501	0	127,181	0	127,181
HST, rents and other receivables	18,776	944	2,326	22,046	12,836	1,768	0	14,604
Prepaid expenses	34,530	0	0	34,530	34,515	0	0	34,515
Due from New Projects Fund	148,269	0	0	148,269	0	0	0	0
	1,190,702	358,331	86,868	1,635,901	449,893	308,557	1,420,533	2,178,983
<b>CAPITAL ASSETS</b> (note 3)	21,784,675	0	8,022,560	29,807,235	12,044,564	0	2,272,298	14,316,862
	<u>\$22,975,377</u>	<u>\$358,331</u>	<u>\$8,109,428</u>	<u>\$31,443,136</u>	<u>\$12,494,457</u>	<u>\$308,557</u>	<u>\$3,692,831</u>	<u>\$16,495,845</u>
<b>LIABILITIES</b>								
<b>CURRENT</b>								
Accounts, payable and accrued	127,924	0	0	127,924	42,290	2,280	0	44,570
Government remittances payable	3,163	0	0	3,163	2,856	0	0	2,856
Deferred income (note 5)	9,697	0	0	9,697	32,636	0	0	32,636
Due to General Fund	0	0	148,269	148,269	0	0	0	0
Current portion of long-term debt (note 4)	4,425,392	0	0	4,425,392	3,764,058	0	380,000	4,144,058
	4,566,176	0	148,269	4,714,445	3,841,840	2,280	380,000	4,224,120
<b>LONG-TERM DEBT</b> (note 4)	4,081,919	0	4,237,126	8,319,045	4,999,297	0	1,718,114	6,717,411
<b>TOTAL LIABILITIES</b>	<u>8,648,095</u>	<u>0</u>	<u>4,385,395</u>	<u>13,033,490</u>	<u>8,841,137</u>	<u>2,280</u>	<u>2,098,114</u>	<u>10,941,531</u>
<b>NET ASSETS</b>								
Externally restricted reserves	0	37,714	0	37,714	0	31,803	0	31,803
Internally restricted reserves	0	320,617	0	320,617	0	274,474	0	274,474
Externally restricted donations and financing	0	0	5,000	5,000	0	0	1,420,533	1,420,533
Unrestricted	1,049,918	0	(66,401)	983,517	372,111	0	0	372,111
Investment in capital assets	13,277,364	0	3,785,434	17,062,798	3,281,209	0	174,184	3,455,393
	14,327,282	358,331	3,724,033	18,409,646	3,653,320	306,277	1,594,717	5,554,314
	<u>\$22,975,377</u>	<u>\$358,331</u>	<u>\$8,109,428</u>	<u>\$31,443,136</u>	<u>\$12,494,457</u>	<u>\$308,557</u>	<u>\$3,692,831</u>	<u>\$16,495,845</u>



**MENNOHOMES INC.****STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2021**

(With comparative figures for the year ended August 31, 2020)

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

	2021				2020			
	<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>
<b>REVENUES:</b>								
Donations and fundraising	45,037	0	2,093,048	2,138,085	12,950	0	754,589	767,539
Rental income	1,356,638	0	0	1,356,638	969,210	0	0	969,210
Government grants	103,480	0	38,000	141,480	103,480	0	0	103,480
Investment and other income	27,626	3,789	2,480	33,895	12,586	4,242	3,730	20,558
	<u>1,532,781</u>	<u>3,789</u>	<u>2,133,528</u>	<u>3,670,098</u>	<u>1,098,226</u>	<u>4,242</u>	<u>758,319</u>	<u>1,860,787</u>
<b>EXPENSES:</b>								
Mortgage interest	167,526	0	0	167,526	187,761	0	0	187,761
Amortization of capital assets	712,807	0	0	712,807	418,789	0	0	418,789
Repairs and maintenance	144,216	61,740	0	205,956	114,658	80,236	0	194,894
Utilities	103,351	0	0	103,351	56,324	0	0	56,324
Insurance	52,935	0	0	52,935	41,239	0	0	41,239
Trillium benefit allowance	74,039	0	0	74,039	46,162	0	0	46,162
Office and administration	122,299	2,433	4,212	128,944	48,351	357	2,319	51,027
Salaries and benefits	138,412	0	0	138,412	124,095	0	0	124,095
Management and superintendent	155,088	0	0	155,088	80,940	0	0	80,940
	<u>1,670,673</u>	<u>64,173</u>	<u>4,212</u>	<u>1,739,058</u>	<u>1,118,319</u>	<u>80,593</u>	<u>2,319</u>	<u>1,201,231</u>
<b>EXCESS (DEFICIT) FOR THE YEAR</b>	(137,892)	(60,384)	2,129,316	1,931,040	(20,093)	(76,351)	756,000	659,556
<b>NET ASSETS - opening</b>	3,653,320	306,277	1,594,717	5,554,314	3,753,169	302,872	838,717	4,894,758
Contribution from other charity - George St. (note 8)	10,924,292	0	0	10,924,292	0	0	0	0
Interfund transfers								
Budget transfers	(112,439)	112,439	0	0	(79,756)	79,756	0	0
<b>NET ASSETS - closing</b>	<u>\$14,327,282</u>	<u>\$358,331</u>	<u>\$3,724,033</u>	<u>\$18,409,646</u>	<u>\$3,653,320</u>	<u>\$306,277</u>	<u>\$1,594,717</u>	<u>\$5,554,314</u>

# MENNOHOMES INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2021

(With comparative figures for the year ended August 31, 2020)

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

	2021				2020			
SOURCES (USES) OF CASH:	<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>
<b>OPERATING ACTIVITIES:</b>								
Excess (deficit) for the year	(137,892)	(60,384)	2,129,316	1,931,040	(20,093)	(76,351)	756,000	659,556
Items not affecting cash:								
Amortization of capital assets	712,807	0	0	712,807	418,789	0	0	418,789
Change in non-cash current assets and liabilities:								
Investments - Reserve Funds	0	(3,012)	(47,308)	(50,320)	0	(2,904)	0	(2,904)
HST, rents and other receivables	(5,940)	824	(2,326)	(7,442)	(2,907)	(304)	365	(2,846)
Prepaid expenses	(15)	0	0	(15)	(1,677)	0	0	(1,677)
Accounts, payable and accrued	85,634	(2,281)	0	83,353	839	1,190	0	2,029
Government remittances payable	307	0	0	307	(244)	0	0	(244)
Deferred income (note 5)	(22,939)	0	0	(22,939)	30,762	0	0	30,762
	631,962	(64,853)	2,079,682	2,646,791	425,469	(78,369)	756,365	1,103,465
<b>INVESTING ACTIVITIES:</b>								
Investment in capital assets	(10,452,918)	0	(5,750,262)	(16,203,180)	0	0	(1,749,564)	(1,749,564)
<b>FINANCING ACTIVITIES:</b>								
Interfund loans	(148,269)	0	148,269	0	0	0	0	0
Interfund transfers	(112,439)	112,439	0	0	(79,756)	79,756	0	0
Contribution from other charity - George St. (note 8)	10,924,292	0	0	10,924,292	0	0	0	0
Long-term debt acquired	20,000	0	2,519,012	2,539,012	40,000	0	2,068,114	2,108,114
Long-term debt repaid	(276,043)	0	(380,000)	(656,043)	(268,451)	0	(50,000)	(318,451)
	10,407,541	112,439	2,287,281	12,807,261	(308,207)	79,756	2,018,114	1,789,663
<b>CHANGE IN FUNDS</b>	586,585	47,586	(1,383,299)	(749,128)	117,262	1,387	1,024,915	1,143,564
<b>CASH ON HAND - opening</b>	402,542	179,608	1,420,533	2,002,683	285,280	178,221	395,618	859,119
<b>CASH ON HAND - closing</b>	\$989,127	\$227,194	\$37,234	\$1,253,555	\$402,542	\$179,608	\$1,420,533	\$2,002,683

# **MENNOHOMES INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2021**

### **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. properties, which require MennoHomes Inc. to set aside 2% of annual rents in a capital maintenance reserve, which can then be drawn on to fund significant repairs or replace significant assets (see Externally Restricted Net Assets). The Board has chosen to restrict additional funds for capital maintenance beyond those required by contractual agreements, which are also maintained in this fund (see Internally Restricted Net Assets). The **New Projects Fund** (formerly the Capital Projects Fund) reflects 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, 2021

### 1. SIGNIFICANT ACCOUNT POLICIES (continued)

#### Cash

For purposes of these financial statements, cash is defined as funds held in accounts at financial institutions.

### 2. FINANCIAL INSTRUMENTS

	<u>Interest rate</u>	<u>Maturity</u>	<u>2021</u>	<u>2020</u>
Investments - reflected at amortized cost:				
Guaranteed investment certificate	2.25%	Apr. 2021	0	25,563
Guaranteed investment certificate	1.95%	Apr. 2021	0	25,513
Guaranteed investment certificate	2.00%	Apr. 2022	25,656	25,153
Guaranteed investment certificate	2.25%	Apr. 2023	25,883	25,314
Guaranteed investment certificate	3.05%	Apr. 2024	26,420	25,638
Guaranteed investment certificate	0.95%	Apr. 2022	26,138	0
Guaranteed investment certificate	0.95%	Jun. 2022	26,096	0
Total - Replacement Reserve Fund			130,193	127,181
New Projects Fund				
Guaranteed investment certificate	0.45%	Jan. 2022	47,308	0
			177,501	127,181
Other financial assets reflected at amortized cost - cash and receivables (excluding HST)			1,247,459	2,004,617
Total financial assets			\$1,424,960	\$2,131,798

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.

### 3. CAPITAL ASSETS

	<u>Cost</u>	<u>2021</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2020</u> <u>Net Book</u> <u>Value</u>
Kitchener-Waterloo				
Land	3,565,399	0	3,565,399	768,172
Building	14,324,054	3,352,876	10,971,178	3,840,891
Appliances	146,368	118,267	28,101	6,242
	18,035,821	3,471,143	14,564,678	4,615,305
Wellesley				
Land	511,565	0	511,565	511,565
Building	1,033,207	335,896	697,311	726,366
Appliances	15,495	13,667	1,828	2,284
	1,560,267	349,563	1,210,704	1,240,215
Elmira				
Land	962,773	0	962,773	962,773
Building	6,135,775	1,148,469	4,987,306	5,157,640
Appliances	84,778	54,558	30,220	37,775
	7,183,326	1,203,027	5,980,299	6,158,188
Office equipment and leasehold improvements	44,362	15,368	28,994	30,856
Total - General Fund	26,823,776	5,039,101	21,784,675	12,044,564
New projects				
Bridgeport & Lancaster project (note 6)	8,022,560	0	8,022,560	2,272,298
	\$34,846,336	\$5,039,101	\$29,807,235	\$14,316,862

# MENNOHOMES INC.

## NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2021

### 4. LONG-TERM DEBT

	<u>2021</u>	<u>2020</u>
<b><u>Kitchener - The Village</u></b>		
Abundance Canada (1)	482,096	531,395
Ministry of Municipal Affairs and Housing (2)	229,000	229,000
Regional Municipality of Waterloo (3)	150,000	150,000
	<u>861,096</u>	<u>910,395</u>
<b><u>Kitchener - Rockway Gardens</u></b>		
Abundance Canada (4)	1,518,297	1,624,280
Abundance Canada (5)	556,074	627,515
Ministry of Municipal Affairs and Housing (6)	840,000	840,000
	<u>2,914,371</u>	<u>3,091,795</u>
<b><u>Wellesley</u></b>		
Abundance, Canada - Pond View, Wellesley (7)	80,766	85,109
Ministry of Municipal Affairs and Housing - Pond View, Wellesley (8)	480,000	480,000
Regional Municipality of Waterloo - David Street, Wellesley (9)	240,000	240,000
Abundance, Canada - David Street, Wellesley (10)	32,408	33,623
	<u>833,174</u>	<u>838,732</u>
<b><u>Elmira</u></b>		
Abundance, Canada - 9, 11A and 11B Ratz Street, Elmira (11)	64,086	67,269
Kindred Credit Union - 7 Memorial Ave. Elmira (12)	1,180,505	1,214,056
Kindred Credit Union - Stillwater Street, Elmira (13)	130,229	137,258
Regional Municipality of Waterloo - Centre St. and Stillwater Streets, Elmira (14)	400,000	400,000
Regional Municipality of Waterloo - 9, 11A & 11B Ratz Street, Elmira (15)	360,000	360,000
Regional Municipality of Waterloo - 7 Memorial Ave., Elmira (16)	1,703,850	1,703,850
	<u>3,838,670</u>	<u>3,882,433</u>
<b><u>General Fund - Operating Financing</u></b>		
Canada Emergency Business Account Loan (20)	60,000	40,000
<b>Total General Fund</b>	<b>8,507,311</b>	<b>8,763,355</b>
<b><u>New Projects</u></b>		
Private loan, interest free, unsecured	0	380,000
Due to Bridgeport at Lancaster (see note 6) - Region of Waterloo (17)	2,748,983	1,718,114
Kindred Credit Union (18)	988,143	0
Kitchener Waterloo Community Foundation (19)	500,000	0
	<u>4,237,126</u>	<u>2,098,114</u>
<b>Total long-term debt</b>	<b>12,744,437</b>	<b>10,861,469</b>
<b><u>Current portion</u></b>		
Loans maturing in the forthcoming year - expected amounts at maturity	4,131,680	3,883,045
Projected principal payments - excluding maturities	293,712	261,013
	<u>4,425,392</u>	<u>4,144,058</u>
<b>Long-term portion</b>	<b>\$8,319,045</b>	<b>\$6,717,411</b>



**MENNOHOMES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

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

Projected repayment of long-term debt:	<u>fiscal year</u>	
	2022	4,425,392
	2023	143,164
	2024	587,801
	2025	4,403
	thereafter	<u>7,583,677</u>
		<u>\$12,744,437</u>

**Terms and Conditions:**

**Kitchener - The Village**

- (1) The first mortgage payable bears interest at 3.8%, requires monthly principal and interest payments of \$5,743, matures in November 2021 and is secured by a first charge on the real estate known as "The Village".
- (2) 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.
- (3) 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.

**Kitchener - Rockway Gardens**

- (4) The first mortgage bears interest at 3.8%, requires monthly principal and interest payments of \$13,831, matures in December 2021 and is secured by a first charge on the real estate known as "Rockway Gardens".
- (5) 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'.
- (6) 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.

# **MENNOHOMES INC.**

## **NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2021**

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

#### **Wellesley**

- (7) The first mortgage payable bears interest at 3.45%, requires monthly principal and interest payments of \$609, is secured by a first charge on the real estate and matures in August 2022.
- (8) 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.
- (9) 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.
- (10) The first mortgage payable bears interest at 3.8%, requires monthly principal and interest payments of \$206, is secured by a first charge on the real estate and matures in November 2021.

#### **Elmira**

- (11) Mortgage payable which bears interest at 3.45%, requires monthly principal and interest payments of \$457, matures July 2022, secured by real estate.
- (12) Mortgage payable which bears interest at 3.4%, requires monthly principal and interest payments of \$6,171, mature July 2022, secured by a first collateral mortgage on 7 Memorial Ave., Elmira, ON. (see credit facility below)
- (13) Mortgage payable bearing interest at 2.14%, requires monthly principal and interest payments of \$854, matures in June 2026 and is secured by a first charge on 27 Stillwater St. (see credit facility)
- (14) 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.
- (15) 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.
- (16) 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 the property totaling \$1,703,850, a performance bond from the general contractor, assignment of rents and insurance.



# MENNOHOMES INC.

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

### 4. LONG-TERM DEBT (continued)

#### New Projects

(17) Construction funds advanced to date (of a total of \$3,818,032 to be advanced) held in trust to be advanced to Bridgeport & Lancaster as needed for construction, secured by a second mortgage on the Bridgeport & Lancaster property, a performance bond of 50% of the project budget and builders risk insurance. MennoHomes Inc. will assume responsibility for this loan, upon registration of the related condo corporation after completion of the project. Interest and principal payments will be forgiven in 2045, 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.

(18) Construction loan, interest only due monthly, matures February 2022, secured by Credit Facilities Agreement (note 6)

(19) Construction loan, interest calculated at 4% annually, principal and interest due November 2023, unsecured.

#### General Fund - Operating Financing

(20) Interest free, unsecured, due December 31, 2022, \$20,000 forgiven upon repayment of \$40,000 before December 31, 2022.

### 5. DEFERRED INCOME

	<u>2021</u>			<u>2020</u>
	<u>Grants</u>	<u>Special Needs</u>	<u>KW Community Foundation</u>	<u>Total</u>
Funding designated for Special Needs:				
Opening balance	0	1,074	31,562	32,636
Designated funds received	150,103	0	0	150,103
Designated funds disbursed	(141,480)	0	(31,562)	(173,042)
Closing balance	\$8,623	\$1,074	\$0	\$9,697

### 6. COMMITMENTS, CONTINGENCIES, CONTRACTUAL OBLIGATIONS

**Credit Facilities** - MennoHomes Inc. has an agreement with Kindred Credit Union with the following facilities:

- 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.
- Letters of credit in favour of the City of Kitchener totaling \$548,925
- A construction term loan, maximum draw of \$5,000,000, which bears interest at prime payable monthly, balance due February 2022.
- A construction term loan, maximum draw of \$2,250,000, which bears interest at prime payable monthly, principal due February 2022
- The credit facility is secured by a first position General Security Agreement over all the assets of MennoHomes Inc., a First All Purpose collateral mortgage on 27 Stillwater Street, Elmira, ON or \$187,500, a \$5,000,000 First All Purpose collateral mortgage on the Bridgeport at Lancaster development property of \$5,000,000, a \$4,100,000 First All Purpose collateral mortgage on 7 Memorial Ave., Elmira, ON, and a \$5,000,000 corporate guarantee from Bridgeport at Lancaster to support advances.

**Region of Waterloo financing** - 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: \$930,029



# **MENNOHOMES INC.**

## **NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2021**

### **6. COMMITMENTS, CONTINGENCIES, CONTRACTUAL OBLIGATIONS (continued)**

**Capital Assets - New Projects - Bridgeport at Lancaster** - MennoHomes Inc. has 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 in the current year are as follows:

	<u>2021</u>	<u>2020</u>
Staff salaries and benefits	43,768	32,156
Fundraising costs	2,968	5,205
	<u>\$46,736</u>	<u>\$37,361</u>
Interest costs capitalized to new project costs:	<u>\$48,796</u>	<u>\$0</u>

### **8. CONTRIBUTION FROM OTHER CHARITY**

In the current fiscal year, MennoHomes Inc. received title to the assets (land, a building and equipment) and assume responsibility for the liabilities, of Waterloo Mennonite Homes. The fair value of the net assets received are reflected as a contribution from other charity.

### **9. SIGNIFICANT EVENT**

During and subsequent to the current fiscal year, the Covid-19 pandemic continued to impact most organizations world-wide, including MennoHomes. It's future impact on MennoHomes is uncertain and cannot be quantified. Management is actively monitoring local and global events and reacting to the best of their abilities, to maintain the organizations financial health and well being.