MENNOHOMES INC.

FINANCIAL STATEMENTS
AUGUST 31, 2022

Approved on behalf of the Board of Directors:

Director

Director

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, 2022, 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, 2022 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, 2022
Waterloo, ON

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MENNOHOMES INC.

STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2022
(With comparative figures as at August 31, 2021)
(The accompanying notes are an integral part of these financial statements)

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	2022				2021			
ASSETS	**General Fund**	**Replacement Reserve Fund**	**New Projects Fund**	**Total**	**General Fund**	**Replacement Reserve Fund**	**New Projects Fund**	**Total**
CURRENT								
Cash	1,538,509	735,355	43,196	2,317,060	989,127	227,194	37,234	1,253,555
Investments - Reserve Funds (note 2)	0	132,591	47,618	180,209	0	130,193	47,308	177,501
HST, rents and other receivables	62,528	944	0	63,472	18,776	944	2,326	22,046
Prepaid expenses	57,903	0	0	57,903	34,530	0	0	34,530
Loan receivable - Parents for Community Living (note 6)	848,852	0	0	848,852	0	0	0	0
Due from New Projects Fund	148,269	0	0	148,269	148,269	0	0	148,269
	2,656,061	868,890	90,814	3,615,765	1,190,702	358,331	86,868	1,635,901
CAPITAL ASSETS (note 3)	41,573,311	0	2,623,582	44,196,893	21,784,675	0	8,022,560	29,807,235
	$44,229,372	$868,890	$2,714,396	$47,812,658	$22,975,377	$358,331	$8,109,428	$31,443,136
LIABILITIES								
CURRENT								
Accounts, payable and accrued	289,202	0	0	289,202	127,924	0	0	127,924
Government remittances payable	0	0	0	0	3,163	0	0	3,163
Deferred income (note 5)	37,756	0	0	37,756	9,697	0	0	9,697
Loan payable - St. Paul's (note 6)	276,082	0	0	276,082	0	0	0	0
Due to General Fund	0	0	148,269	148,269	0	0	148,269	148,269
Current portion of long-term debt (note 4)	2,668,809	0	0	2,668,809	4,425,392	0	0	4,425,392
	3,271,849	0	148,269	3,420,118	4,566,176	0	148,269	4,714,445
LONG-TERM DEBT (note 4)	17,024,050	0	1,680,619	18,704,669	4,081,919	0	4,237,126	8,319,045
TOTAL LIABILITIES	20,295,899	0	1,828,888	22,124,787	8,648,095	0	4,385,395	13,033,490
NET ASSETS								
Externally restricted reserves (note 6)	0	31,023	0	31,023	0	37,714	0	37,714
Internally restricted reserves	0	837,867	0	837,867	0	320,617	0	320,617
Externally restricted donations and financing	0	0	5,000	5,000	0	0	5,000	5,000
Unrestricted	2,053,021	0	(62,455)	1,990,566	1,049,918	0	(66,401)	983,517
Investment in capital assets	21,880,452	0	942,963	22,823,415	13,277,364	0	3,785,434	17,062,798
	23,933,473	868,890	885,508	25,687,871	14,327,282	358,331	3,724,033	18,409,646
	$44,229,372	$868,890	$2,714,396	$47,812,658	$22,975,377	$358,331	$8,109,428	$31,443,136

MENNOHOMES INC.

STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2022
(With comparative figures for the year ended August 31, 2021)

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

	2022				2021			
	General Fund	Replacement Reserve Fund	New Projects Fund	Total	General Fund	Replacement Reserve Fund	New Projects Fund	Total
REVENUES:								
Donations and fundraising	821,315	0	621,872	1,443,187	45,037	0	2,093,048	2,138,085
Rental income	2,034,080	0	0	2,034,080	1,356,638	0	0	1,356,638
Government grants	103,480	0	0	103,480	103,480	0	38,000	141,480
Investment and other income	100,808	3,971	1,267	106,046	27,626	3,789	2,480	33,895
	3,059,683	3,971	623,139	3,686,793	1,532,781	3,789	2,133,528	3,670,098
EXPENSES:								
Mortgage interest	245,774	0	0	245,774	167,526	0	0	167,526
Amortization of capital assets	1,271,007	0	0	1,271,007	712,807	0	0	712,807
Repairs and maintenance	232,551	197,279	0	429,830	144,216	61,740	0	205,956
Utilities	223,557	0	0	223,557	103,351	0	0	103,351
Insurance	52,270	0	0	52,270	52,935	0	0	52,935
Trillium benefit allowance and property tax	134,841	0	0	134,841	74,039	0	0	74,039
Office and administration	84,200	7,770	3,231	95,201	122,299	2,433	4,212	128,944
Salaries and benefits	167,755	0	0	167,755	138,412	0	0	138,412
Management and superintendent	252,745	0	0	252,745	155,088	0	0	155,088
	2,664,700	205,049	3,231	2,872,980	1,670,673	64,173	4,212	1,739,058
EXCESS (DEFICIT) FOR THE YEAR	394,983	(201,078)	619,908	813,813	(137,892)	(60,384)	2,129,316	1,931,040
NET ASSETS - opening	14,327,282	358,331	3,724,033	18,409,646	3,653,320	306,277	1,594,717	5,554,314
Contributions from other charities (note 8)								
- Sprucelawn Apartments for Seniors Incorporated	6,464,412	0	0	6,464,412	0	0	0	0
- George St. (Waterloo Mennonite Homes Inc.)	0	0	0	0	10,924,292	0	0	10,924,292
Interfund transfers								
Completion of Bridgeport at Lancaster	3,458,433	0	(3,458,433)	0	0	0	0	0
Establish George St. replacement reserve	(546,167)	546,167	0	0	0	0	0	0
Budget transfers	(165,469)	165,469	0	0	(112,439)	112,439	0	0
NET ASSETS - closing	$23,933,473	$868,890	$885,508	$25,687,871	$14,327,282	$358,331	$3,724,033	$18,409,646

MENNOHOMES INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2022

(With comparative figures for the year ended August 31, 2021)

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

	2022				2021			
SOURCES (USES) OF CASH:	General Fund	Replacement Reserve Fund	New Projects Fund	Total	General Fund	Replacement Reserve Fund	New Projects Fund	Total
OPERATING ACTIVITIES:								
Excess (deficit) for the year	394,983	(201,078)	619,908	813,813	(137,892)	(60,384)	2,129,316	1,931,040
Items not affecting cash:								
Amortization of capital assets	1,271,007	0	0	1,271,007	712,807	0	0	712,807
Change in non-cash current assets and liabilities:								
Investments - Reserve Funds	0	(2,397)	(310)	(2,707)	0	(3,012)	(47,308)	(50,320)
HST, rents and other receivables	(43,752)	0	2,326	(41,426)	(5,940)	824	(2,326)	(7,442)
Prepaid expenses	(23,373)	0	0	(23,373)	(15)	0	0	(15)
Loan receivable - Parents for Community Living (note	(848,852)	0	0	(848,852)	0	0	0	0
Accounts, payable and accrued	161,276	0	0	161,276	85,634	(2,281)	0	83,353
Government remittances payable	(3,163)	0	0	(3,163)	307	0	0	307
Deferred income (note 5)	28,059	0	0	28,059	(22,939)	0	0	(22,939)
Loan payable - St. Paul's (note 6)	276,082	0	0	276,082	0	0	0	0
	1,212,267	(203,475)	621,924	1,630,716	631,962	(64,853)	2,079,682	2,646,791
INVESTING ACTIVITIES:								
Investment in capital assets	(21,059,643)	0	5,398,978	(15,660,665)	(10,452,918)	0	(5,750,262)	(16,203,180)
FINANCING ACTIVITIES:								
Interfund loans	0	0	0	0	(148,269)	0	148,269	0
Interfund transfers	2,746,797	711,636	(3,458,433)	0	(112,439)	112,439	0	0
Contributions from other charities (note 8)	6,464,412	0	0	6,464,412	10,924,292	0	0	10,924,292
Long-term debt acquired	0	0	10,406,362	10,406,362	20,000	0	2,519,012	2,539,012
Long-term debt repaid	11,185,549	0	(12,962,869)	(1,777,320)	(276,043)	0	(380,000)	(656,043)
	20,396,758	711,636	(6,014,940)	15,093,454	10,407,541	112,439	2,287,281	12,807,261
CHANGE IN FUNDS	549,382	508,161	5,962	1,063,505	586,585	47,586	(1,383,299)	(749,128)
CASH ON HAND - opening	989,127	227,194	37,234	1,253,555	402,542	179,608	1,420,533	2,002,683
CASH ON HAND - closing	$1,538,509	$735,355	$43,196	$2,317,060	$989,127	$227,194	$37,234	$1,253,555

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, 2022

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

	Interest rate	Maturity	2022	2021
Investments - reflected at amortized cost:				
Guaranteed investment certificate	2.00%	Apr. 2022	0	25,656
Guaranteed investment certificate	2.25%	Apr. 2023	26,466	25,883
Guaranteed investment certificate	3.05%	Apr. 2024	27,226	26,420
Guaranteed investment certificate	2.80%	Aug. 2026	52,556	26,138
Guaranteed investment certificate	2.45%	Jun. 2023	26,343	26,096
Total - Replacement Reserve Fund			132,591	130,193
New Projects Fund				
Guaranteed investment certificate	2.00%	Nov. 2022	47,618	47,308
			180,209	177,501
Other financial assets reflected at amortized cost - cash and receivables (excluding HST)			2,321,409	1,247,459
Total financial assets			$2,501,618	$1,424,960

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

	2022			2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Kitchener-Waterloo				
Land	5,154,486	0	5,154,486	3,565,399
Building	26,563,340	4,281,196	22,282,144	10,971,178
Appliances	148,869	124,388	24,481	28,101
	31,866,695	4,405,584	27,461,111	14,564,678
Wellesley				
Land	511,565	0	511,565	511,565
Building	1,033,207	363,788	669,419	697,311
Appliances	15,495	14,033	1,462	1,828
	1,560,267	377,821	1,182,446	1,210,704
Elmira				
Land	962,773	0	962,773	962,773
Building	6,160,071	1,348,447	4,811,624	4,987,306
Appliances	84,778	60,602	24,176	30,220
	7,207,622	1,409,049	5,798,573	5,980,299
St. Jacobs				
Land	2,916,155	0	2,916,155	0
Building	4,283,845	99,956	4,183,889	0
Appliances, furniture	4,473	522	3,951	0
	7,204,473	100,478	7,103,995	0
Office equipment and leasehold improvements	44,362	17,176	27,186	28,994
Total - General Fund	**47,883,419**	**6,310,108**	**41,573,311**	**21,784,675**
New projects				
Bridgeport & Lancaster project (note 6)	0	0	0	8,022,560
Sprucelawn, St. Jacobs (note 6)	2,623,582	0	2,623,582	0
	$50,507,001	**$6,310,108**	**$44,196,893**	**$29,807,235**

MENNOHOMES INC.

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2022

4. LONG-TERM DEBT

	2022	2021
Kitchener - The Village		
Abundance Canada (1)	430,608	482,096
Ministry of Municipal Affairs and Housing (2)	229,000	229,000
Regional Municipality of Waterloo (3)	150,000	150,000
	809,608	861,096
Kitchener - Rockway Gardens		
Abundance Canada (4)	1,406,575	1,518,297
Abundance Canada (5)	480,565	556,074
Ministry of Municipal Affairs and Housing (6)	840,000	840,000
	2,727,140	2,914,371
Kitchener - Bridgeport at Lancaster		
Region of Waterloo (7)	3,818,032	0
Waterloo Region Community Foundation (8)	535,944	0
Canada Mortgage and Housing Corporation - repayable portion (9)	6,290,313	0
Canada Mortgage and Housing Corporation - forgivable portion (9)	830,436	0
	11,474,725	0
Wellesley		
Abundance, Canada - Pond View, Wellesley (10)	76,203	80,766
Ministry of Municipal Affairs and Housing - Pond View, Wellesley (11)	480,000	480,000
Regional Municipality of Waterloo - David Street, Wellesley (12)	240,000	240,000
Abundance, Canada - David Street, Wellesley (13)	31,105	32,408
	827,308	833,174
Elmira		
Abundance, Canada - 9, 11A and 11B Ratz Street, Elmira (14)	60,822	64,086
Kindred Credit Union - 7 Memorial Ave. Elmira (15)	1,146,721	1,180,505
Kindred Credit Union - Stillwater Street, Elmira (16)	122,685	130,229
Regional Municipality of Waterloo - Centre St. and Stillwater Streets, Elmira (17)	400,000	400,000
Regional Municipality of Waterloo - 9, 11A & 11B Ratz Street, Elmira (18)	360,000	360,000
Regional Municipality of Waterloo - 7 Memorial Ave., Elmira (19)	1,703,850	1,703,850
	3,794,078	3,838,670
General Fund - Operating Financing		
CMHC re. Sprucelawn	0	0
Canada Emergency Business Account Loan (20)	60,000	60,000
	60,000	60,000
Total General Fund	**19,692,859**	**8,507,311**
New Projects		
Due to Bridgeport at Lancaster (see note 6) - Region of Waterloo	0	2,748,983
Kindred Credit Union	0	988,143
Kitchener Waterloo Community Foundation	0	500,000
Kindred Credit Union line of credit (21)	465,619	0
Region of Waterloo - Sprucelawn (22)	1,215,000	0
	1,680,619	**4,237,126**

(continued)

4. LONG-TERM DEBT (continued)

Total long-term debt	**21,373,478**	**12,744,437**
Current portion		
Loans maturing in the forthcoming year, at expected maturity amounts	2,294,966	4,131,680
Projected principal payments - excluding maturities	373,843	293,712
	2,668,809	**4,425,392**
Long-term portion	**$18,704,669**	**$8,319,045**

Projected settlement of long-term debt:

Fiscal year	Projected payments	Projected forgiveness	Total
2023	2,668,809	41,522	2,710,331
2024	1,891,681	420,522	2,312,203
2025	178,073	41,522	219,595
2026	180,179	881,522	1,061,701
thereafter	11,710,299	3,359,349	15,069,648
	$16,629,041	$4,744,437	$21,373,478

Terms and Conditions:

Kitchener - The Village

(1) The first mortgage payable bears interest at 3.45%, requires monthly principal and interest payments of $5,595, matures in November 2022 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 3.45%, requires monthly principal and interest payments of $13,454, matures in December 2022 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.

4. LONG-TERM DEBT (continued)

Kitchener - Bridgeport at Lancaster

(7) 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.

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

(9) Construction funds advanced to date (of a total of $7,780,124 to be advanced) for construction of Bridgeport at Lancaster, secured by a first mortgage on the respective real estate, an assignment of project rents, a general security agreement, an assignment of contracts, a joint and several guarantee by MennoHomes Inc. $830,436 of the loan is forgivable and interest free, with forgiveness occurring annually in equal amounts over twenty years from the date of the final advance, provided MennoHomes complies with all conditions of the loan agreement. Should MennoHomes default on any of the conditions of the loan agreement, the full balance of the forgivable portion of the loan is payable on demand, and CMHC may, at its discretion, also charge interest at 5% per annum, on the unpaid balance. Interest is due on the repayable portion of the loan at 1.75%, estimated principal and interest payments of $15,715 will be due monthly based the agreed amortization period of 50 years. The term of the repayable loan will end ten years after the date of the final advance. As of the date of the issuance of these financial statements, CMHC had not issued the final advance nor provided an amortization schedule indicating the specific monthly payments - projected principal payments are estimated based on the terms of the agreement.

Wellesley

(10) The first mortgage payable bears interest at 5.55%, requires monthly principal and interest payments of $609, is secured by a first charge on the real estate and matures in August 2023.

(11) 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.

(12) 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.

(13) The first mortgage payable bears interest at 3.45%, requires monthly principal and interest payments of $200, is secured by a first charge on the real estate and matures in November 2022.

Elmira

(14) Mortgage payable which bears interest at 5%, requires monthly principal and interest payments of $503, matures July 2024, secured by real estate.

(15) Mortgage payable which bears interest at 6.1%, requires monthly principal and interest payments of $7,862, mature July 2024, secured by a first collateral mortgage on 7 Memorial Ave., Elmira, ON. (see credit facility below)

(16) 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)

4. LONG-TERM DEBT (continued)

(17) 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.

(18) 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.

(19) 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.

General Fund - Operating Financing

(20) Interest free, unsecured, due December 31, 2023, $20,000 forgiven upon repayment of $40,000 before December 31, 2023.

New Projects

(21) Construction loan, 2.7% interest only due monthly, matures February 2023, secured by Credit Facilities Agreement, see (note 6)

(22) The balance represents a portion of a total of $2,700,000 to be advanced. Interest and principal payments will be forgiven twenty-five years after the date of first occupancy, 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 on property referred to as 'Sprucelawn'.

5. DEFERRED INCOME

	2022			2021
	Grants and Donations	Special Needs	Total	Total
Funding designated for Special Needs:				
Opening balance	8,623	1,074	9,697	32,636
Designated funds received	140,162	0	140,162	150,103
Designated funds disbursed	(112,103)	0	(112,103)	(173,042)
Closing balance	$36,682	$1,074	$37,756	$9,697

6. COMMITMENTS, CONTINGENCIES, CONTRACTUAL OBLIGATIONS

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 interest liability would be:

Total interest due should default on all agreements occur: $1,122,599

6. COMMITMENTS, CONTINGENCIES, CONTRACTUAL OBLIGATIONS (continued)

Credit Facilities - MennoHomes Inc. has an agreement with Kindred Credit Union, which expires February 2023, with the following facilities:

- Letters of credit totaling $349,767.
- An operating line of credit to a maximum of $28,000 with interest at prime + 1% payable monthly.
- An operating line of credit to a maximum of $2,350,000 with interest at prime payable monthly.
- A construction term loan for the Sprucelawn project with a maximum draw of $6,600,000, which bears interest at prime payable monthly, balance due two years after the first advance..
- a Canada Emergency Business Account loan term loan for $60,000,
- The credit facility is secured by a first position General Security Agreement over all the assets of MennoHomes Inc., a First Position General Security Agreement over the assets of Sprucelawn Apartments, a First Position Collateral Mortgage for $4,100,000 on Memorial Ave., Elmira, a First All Purpose Collateral Mortgage for $6,600,000 on George, St., Kitchener, a First All Purpose Collateral Mortgages totaling $1,037,500 over 9 and 11, Ratz St, and 27 Stillwater St., Elmira, and 146 David St., Wellesley.

Capital Assets - New Projects - Bridgeport at Lancaster. In a prior year, MennoHomes Inc. entered into a Members Agreement with St. Paul's Evangelical Lutheran Church (St. Paul's) and another registered charity, Parents for Community Living (PCL). MennoHomes Inc. and the partners established a not-for-profit corporation, the purpose of which was to redevelop the church's current property into a new church facility and a non-profit residential facility, with the residential facility exclusively servicing persons of low income and senior citizens and disabled persons of low or modest income. All resulting properties are owned by the Members through a condominium corporation. The church contributed its real estate to the not-for-profit corporation in exchange for an interest in the building constructed. PCL has agreed to pay its prorata share of the land and construction costs. MennoHomes Inc. secured funding for the redevelopment. The project was completed in the current year - the loan receivable from PCL represents the amount due for their share of land and construction costs. The loan payable to St. Paul's represents the value of land contributed less their prorata share of the land and construction costs. Both loans are due on demand, pending completion of all the provisions of the Members Agreement.

Replacement Reserves. Funding agreement with a number of funders require a minimum contribution to Replacement Reserves, to fund significant repairs and replacements at the various properties.

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:

	2022	2021
Staff salaries and benefits	56,835	43,768
Fundraising costs	3,232	2,968
	$60,067	$46,736
Interest costs capitalized to new project costs:	$39,235	$48,796

8. CONTRIBUTIONS FROM OTHER CHARITY

In the current fiscal year, MennoHomes Inc. acquired control of the assets (current assets, real estate and equipment) and assumed the liabilities of Sprucelawn Apartments for Seniors Incorporated, a non-profit housing corporation, for no consideration, pursuant to an Amalgamation Agreement. The purpose of the acquisition was to enable MennoHomes Inc. to pursue further development opportunities for the real estate held by Sprucelawn. As MennoHomes Inc. and its Board assumed all the rights, privileges and responsibilities of ownership, the transaction has been treated as an acquisition at fair value in accordance with the applicable accounting standards. MennoHomes had a similar transaction in the prior year, when it received title to the assets and liabilities of a property known as Waterloo Mennonite Homes, wherein Waterloo Mennonite Homes donated all its assets, net of its liabilities, to MennoHomes Inc. - this transaction was also reflected at fair value.

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.