MENNOHOMES INC.

OPERATING AS: BEYOND HOUSING (note 1)
FINANCIAL STATEMENTS
AUGUST 31, 2023

Approved on behalf of the Board of Directors:

Annie McPhee
Director

Nancy Regehr
Director

INDEPENDENT AUDITOR'S REPORT
To the Directors of MennoHomes Inc. (Operating as Beyond Housing)

Opinion

I have audited the financial statements of **MennoHomes Inc. (Operating as Beyond Housing)**, which comprise the statement of financial position as at **August 31, 2023**, 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. (Operating as Beyond Housing)** as at **August 31, 2023** 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 21, 2023
Waterloo, ON

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MENNOHOMES INC.

OPERATING AS BEYOND HOUSING *(note 1)*

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2023

(With comparative figures as at August 31, 2022)

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

	2023				2022			
.	General Fund	Replacement Reserve Fund	New Projects Fund	Total	General Fund	Replacement Reserve Fund	New Projects Fund	Total
ASSETS								
CURRENT								
Cash	673,660	740,949	178,154	1,592,763	1,538,509	735,355	43,196	2,317,060
Investments (note 2)	-	136,134	48,719	184,853	-	132,591	47,618	180,209
HST, rents and other receivables	56,806	-	443,347	500,153	62,528	944	-	63,472
Prepaid expenses	69,250	-	8,602	77,852	57,903	-	-	57,903
Due from Parents for Community Living (notes 4 and 6)	848,852	-	-	848,852	848,852	-	-	848,852
Due from New Projects Fund (note 4)	1,497,418	-	-	1,497,418	148,269	-	-	148,269
	3,145,986	877,083	678,822	4,701,891	2,656,061	868,890	90,814	3,615,765
CAPITAL ASSETS (note 3)	40,344,455	-	8,207,580	48,552,035	41,573,311	-	2,623,582	44,196,893
	$43,490,441	$877,083	$8,886,402	$53,253,926	$44,229,372	$868,890	$2,714,396	$47,812,658
LIABILITIES								
CURRENT								
Accounts, payable and accrued	239,990	-	589,967	829,957	289,202	-	-	289,202
Deferred income (note 5)	44,142	-	-	44,142	37,756	-	-	37,756
Due to St. Paul's (notes 4 and 6)	481,486	-	-	481,486	276,082	-	-	276,082
Due to General Fund (note 4)	-	-	1,497,418	1,497,418	-	-	148,269	148,269
Current portion of long-term debt (note 4)	2,266,984	-	-	2,266,984	2,668,809	-	-	2,668,809
	3,032,602	-	2,087,385	5,119,987	3,271,849	-	148,269	3,420,118
LONG-TERM DEBT (note 4)	16,858,549	-	5,303,923	22,162,472	17,024,050	-	1,680,619	18,704,669
TOTAL LIABILITIES	19,891,151	-	7,391,308	27,282,459	20,295,899	-	1,828,888	22,124,787
NET ASSETS								
Externally restricted reserves (note 7)	-	36,534	-	36,534	-	31,023	-	31,023
Internally restricted reserves (note 7)	150,000	840,549	-	990,549	-	837,867	-	837,867
Externally restricted donations and financing	-	-	-	-	-	-	5,000	5,000
Unrestricted	2,230,368	-	88,855	2,319,223	2,053,021	-	(62,455)	1,990,566
Investment in capital assets	21,218,922	-	1,406,239	22,625,161	21,880,452	-	942,963	22,823,415
	23,599,290	877,083	1,495,094	25,971,467	23,933,473	868,890	885,508	25,687,871
	$43,490,441	$877,083	$8,886,402	$53,253,926	$44,229,372	$868,890	$2,714,396	$47,812,658

MENNOHOMES INC.

OPERATING AS BEYOND HOUSING *(note 1)*

STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2023

(With comparative figures for the year ended August 31, 2022)

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

	2023				2022			
	General Fund	Replacement Reserve Fund	New Projects Fund	Total	General Fund	Replacement Reserve Fund	New Projects Fund	Total
REVENUES:								
Donations and fundraising	410,410	-	610,599	1,021,009	821,315	-	621,872	1,443,187
Rental income	2,209,786	-	-	2,209,786	2,034,080	-	-	2,034,080
Government grants	109,839	-	-	109,839	103,480	-	-	103,480
Investment and other income	111,847	12,786	2,493	127,126	100,808	3,971	1,267	106,046
	2,841,882	12,786	613,092	3,467,760	3,059,683	3,971	623,139	3,686,793
EXPENSES:								
Mortgage interest	302,793	-	-	302,793	245,774	-	-	245,774
Amortization of capital assets	1,290,774	-	-	1,290,774	1,271,007	-	-	1,271,007
Repairs and maintenance	304,198	182,888	-	487,086	232,551	197,279	-	429,830
Utilities	248,885	-	-	248,885	223,557	-	-	223,557
Insurance	76,168	-	-	76,168	52,270	-	-	52,270
Trillium benefit allowance and property tax	207,585	-	-	207,585	134,841	-	-	134,841
Office and administration	89,042	7,206	3,506	99,754	84,200	7,770	3,231	95,201
Salaries and benefits	242,960	-	-	242,960	167,755	-	-	167,755
Management and superintendent	228,159	-	-	228,159	252,745	-	-	252,745
	2,990,564	190,094	3,506	3,184,164	2,664,700	205,049	3,231	2,872,980
EXCESS (DEFICIT) FOR THE YEAR	(148,682)	(177,308)	609,586	283,596	394,983	(201,078)	619,908	813,813
NET ASSETS - opening	23,933,474	868,889	885,508	25,687,871	14,327,282	358,331	3,724,033	18,409,646
Contributions from other charities (note 9)								
- Sprucelawn Apartments for Seniors Incorporated	-	-	-	-	6,464,412	-	-	6,464,412
Interfund transfers								
Completion of Bridgeport at Lancaster	-	-	-	-	3,458,433	-	(3,458,433)	-
Establish George St. replacement reserve	-	-	-	-	(546,167)	546,167	-	-
Budgeted transfers	(185,501)	185,501	-	-	(165,469)	165,469	-	-
NET ASSETS - closing	$23,599,290	$877,083	$1,495,094	$25,971,467	$23,933,474	$868,889	$885,508	$25,687,871

MENNOHOMES INC.

OPERATING AS BEYOND HOUSING *(note 1)*

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2023

(With comparative figures for the year ended August 31, 2022)

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

	2023				**2022**			
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	(148,682)	(177,308)	609,586	283,596	394,983	(201,078)	619,908	813,813
Items not affecting cash:								
Amortization of capital assets	1,290,774	-	-	1,290,774	1,271,007	-	-	1,271,007
Change in non-cash current assets and liabilities:								
Investments - Reserve Funds	-	(3,544)	(1,101)	(4,645)	-	(2,397)	(310)	(2,707)
HST, rents and other receivables	5,722	944	(443,347)	(436,681)	(43,752)	-	2,326	(41,426)
Prepaid expenses	(11,347)	-	(8,602)	(19,949)	(23,373)	-	-	(23,373)
Due from Parents for Community Living (notes 4 and 6	-	-	-	-	(848,852)	-	-	(848,852)
Accounts, payable and accrued	(49,212)	-	589,967	540,755	161,276	-	-	161,276
Government remittances payable	-	-	-	-	(3,163)	-	-	(3,163)
Deferred income (note 5)	6,386	-	-	6,386	28,059	-	-	28,059
Due to St. Paul's (notes 4 and 6)	205,404	-	-	205,404	276,082	-	-	276,082
	1,299,045	(179,908)	746,503	1,865,640	1,212,267	(203,475)	621,924	1,630,716
INVESTING ACTIVITIES:								
Investment in capital assets	(61,918)	-	(5,583,998)	(5,645,916)	(21,059,643)	-	5,398,978	(15,660,665)
FINANCING ACTIVITIES:								
Interfund loans	(1,349,149)	-	1,349,149	-	-	-	-	-
Interfund transfers	(185,501)	185,501	-	-	2,746,797	711,636	(3,458,433)	-
Contributions from other charities (note 9)	-	-	-	-	6,464,412	-	-	6,464,412
Long-term debt acquired	-	-	3,623,304	3,623,304	-	-	10,406,362	10,406,362
Long-term debt repaid	(567,325)	-	-	(567,325)	11,185,549	-	(12,962,869)	(1,777,320)
	(2,101,975)	185,501	4,972,453	3,055,979	20,396,758	711,636	(6,014,940)	15,093,454
CHANGE IN FUNDS	(864,848)	5,593	134,958	(724,297)	549,382	508,161	5,962	1,063,505
CASH ON HAND - opening	1,538,509	735,355	43,196	2,317,060	989,127	227,194	37,234	1,253,555
CASH ON HAND - closing	$673,660	$740,949	$178,154	$1,592,763	$1,538,509	$735,355	$43,196	$2,317,060

1. 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. **In the current fiscal year, MennoHomes Inc. registered the operating name 'Beyond Housing' and began operating under this new name.**

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 8). 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.

1. SIGNIFICANT ACCOUNT POLICIES (continued)

Cash

Cash is defined as cash balances held at financial institutions plus short-term deposits with terms of less than 30 days.

2. FINANCIAL INSTRUMENTS

	Interest rate	Maturity	2023	2022
Investments - reflected at amortized cost:				
Guaranteed investment certificate	4.75%	Apr. 2028	27,062	26,466
Guaranteed investment certificate	3.05%	Apr. 2024	28,056	27,226
Guaranteed investment certificate	2.80%	Aug. 2026	54,027	52,556
Guaranteed investment certificate	4.55%	Jun. 2024	26,989	26,343
Total - Replacement Reserve Fund			136,134	132,591
New Projects Fund				
Guaranteed investment certificate	2.65%	Nov. 2023	48,719	47,618
			184,853	180,209
Other financial assets reflected at amortized cost - cash and receivables (excluding HST)			1,609,757	2,321,409
Total financial assets			$1,794,610	$2,501,618

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

	2023			2022
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Kitchener-Waterloo				
Land	5,154,486	-	5,154,486	5,154,486
Building	26,547,929	5,173,646	21,374,283	22,282,144
Appliances	225,450	129,285	96,165	24,481
	31,927,865	5,302,931	26,624,934	27,461,111
Wellesley				
Land	511,565	-	511,565	511,565
Building	1,033,207	390,564	642,643	669,419
Appliances	15,495	14,325	1,170	1,462
	1,560,267	404,889	1,155,378	1,182,446
Elmira				
Land	962,773	-	962,773	962,773
Building	6,160,071	1,540,912	4,619,159	4,811,624
Appliances	84,778	65,437	19,341	24,176
	7,207,622	1,606,349	5,601,273	5,798,573
St. Jacobs				
Land	2,916,155	-	2,916,155	2,916,155
Building	4,283,845	267,312	4,016,533	4,183,889
Appliances, furniture	4,473	522	3,951	3,951
	7,204,473	267,834	6,936,639	7,103,995
Office equipment and leasehold improvements	45,109	18,878	26,231	27,186
Total - General Fund	**47,945,336**	**7,600,881**	**40,344,455**	**41,573,311**
New projects				
Sprucelawn, St. Jacobs	8,207,580	-	8,207,580	2,623,582
	$56,152,916	**$7,600,881**	**$48,552,035**	**$44,196,893**

4. LONG-TERM DEBT

	2023	2022
Kitchener - The Village		
Abundance Canada (1)	381,396	430,608
Ministry of Municipal Affairs and Housing (2)	229,000	229,000
Regional Municipality of Waterloo (3)	150,000	150,000
	760,396	809,608
Kitchener - Rockway Gardens		
Abundance Canada (4)	1,305,326	1,406,575
Abundance Canada (5)	400,847	480,565
Ministry of Municipal Affairs and Housing (6)	840,000	840,000
	2,546,173	2,727,140
Kitchener - Bridgeport at Lancaster		
Region of Waterloo (7)	3,818,032	3,818,032
Waterloo Region Community Foundation (8)	-	535,944
Canada Mortgage and Housing Corporation - repayable portion (9)	6,532,980	6,290,313
Canada Mortgage and Housing Corporation - forgivable portion (9)	830,436	830,436
	11,181,448	11,474,725
Wellesley		
Abundance Canada - Pond View, Wellesley (10)	72,117	76,203
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)	28,924	31,105
	821,041	827,308
Elmira		
Abundance Canada - 9, 11A and 11B Ratz Street, Elmira (14)	56,902	60,822
Kindred Credit Union - 7 Memorial Ave. Elmira (15)	1,120,743	1,146,721
Kindred Credit Union - Stillwater Street, Elmira (16)	114,980	122,685
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
	3,756,475	3,794,078
General Fund - Operating Financing		
Canada Emergency Business Account Loan (20)	60,000	60,000
Total General Fund	**19,125,533**	**19,692,859**
New Projects		
Kindred Credit Union line of credit (21)	629,495	465,619
Region of Waterloo - Sprucelawn (22)	1,944,000	1,215,000
Canada Mortgage and Housing Corporation - repayable portion (23)	1,139,803	-
Canada Mortgage and Housing Corporation - forgivable portion (23)	1,590,625	-
	5,303,923	**1,680,619**

(continued)

4. LONG-TERM DEBT (continued)

Total long-term debt	**24,429,456**	**21,373,478**
Current portion		
Loans maturing in the forthcoming year, at expected maturity amounts	1,903,422	2,294,966
Projected principal payments - excluding maturities	363,562	373,843
	2,266,984	**2,668,809**
Long-term portion	**$22,162,472**	**$18,704,669**

Projected settlement of long-term debt:

Fiscal year	Projected payments	Projected forgiveness	Total
2024	2,266,984	420,522	2,687,506
2025	1,840,149	41,522	1,881,671
2026	320,328	881,522	1,201,850
2027	226,942	41,522	268,464
thereafter	12,710,991	5,678,974	18,389,965
	$17,365,394	$7,064,062	$24,429,456

Terms and Conditions:

Kitchener - The Village

(1) The first mortgage payable bears interest at 6.65%, requires monthly principal and interest payments of $6,211, matures in November 2024 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 6.65%, requires monthly principal and interest payments of $15,545, matures in December 2024 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 7.05%, requires monthly principal and interest payments of $737, is secured by a first charge on the real estate and matures in August 2024.

(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 6.65%, requires monthly principal and interest payments of $250, is secured by a first charge on the real estate and matures in November 2024.

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 $893, matures in July 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, interest only at prime due monthly, matures February 2024, 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'.

(23) Construction funds advanced to date (of a total of $4,985,145 to be advanced) for construction of Sprucelawn senior apartment complex, 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. $1,590,625 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 2.9% per annum, on the unpaid balance. Interest is due on the repayable portion of the loan at 2.9%, estimated principal and interest payments of $8,500 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.

Due from Parents for Community Living, Due to / from other Funds, Due to St. Paul's

The Loan receivable from Parents for Community Living, and the amounts due to or from other Funds and the loan payable - St. Paul's, are unsecured, bear no interest, and have no specific terms of repayment. (see also note 6)

5. DEFERRED INCOME

	2023			2022
	Grants and Donations	Special Needs	Total	Total
Funding designated for Special Needs:				
Opening balance	36,682	1,074	37,756	9,697
Designated funds received	153,623	-	153,623	140,162
Designated funds disbursed	(147,237)	-	(147,237)	(112,103)
Closing balance	$43,068	$1,074	$44,142	$37,756

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:	$1,380,540

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

- Letters of credit totaling $130,602.
- 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 All Purpose Collateral Mortgage for $6,600,000 on George, St., Kitchener, a First All Purpose Collateral Mortgage for $4,100,000 over Memorial St., Elmira, and a First All Purpose Collaterial Mortgage for $187,500 on Stillwater St., Elmira.

Bridgeport at Lancaster - in a prior year, MennoHomes Inc. entered into a Members Agreement with St. Paul's Evangelical Lutheran Church (St. Paul's). MennoHomes Inc. and St. Paul's 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. MennoHomes Inc. secured the funding for the redevelopment. The Members also agreed to construct a unit for Parents for Community Living (PCL). The project was effectively completed in the prior year. The amount due from PCL represents the agreed sellng price plus adjustments related to construction costs. The amount due to 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.

7. RESTRICTED NET ASSETS

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, which are Externally Restricted Replacement Reserves. In addition, the Board has chosen to restrict additional net assets to fund repairs and replacements at various properties, which are reflected as Internally Restricted Net Assets.

Internally Restricted Net Assets - General Fund. In the current year, the Board chose to restrict $150,000 to explore development of potential new projects.

8. ALLOCATION OF COSTS TO NEW PROJECTS

Costs capitalized to new construction projects.

	2023	**2022**
Staff salaries and benefits	$52,733	$43,768
Interest costs capitalized to new project costs:	$79,503	$39,235

9. CONTRIBUTIONS FROM OTHER CHARITY

In the prior 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 was been treated as an acquisition at fair value in accordance with the applicable accounting standards.