

MENNOHOMES INC.
OPERATING AS: BEYOND HOUSING (note 1)
FINANCIAL STATEMENTS
AUGUST 31, 2025

Approved on behalf of the Board of Directors:



Director



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, 2025**, 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, 2025** 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 20, 2025
Waterloo, ON

E.M. Simon CPA Professional Corporation

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MENNOHOMES INC.

OPERATING AS BEYOND HOUSING (note 1)

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2025

(With comparative figures as at August 31, 2024)

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

	2025				2024			
	General Fund	Replacement Reserve Fund	New Projects Fund	Total	General Fund	Replacement Reserve Fund	New Projects Fund	Total
ASSETS								
CURRENT								
Cash	3,078,692	734,645	1,286,711	5,100,048	969,714	627,971	1,122	1,598,807
Investments (note 2)	-	116,954	-	116,954	49,993	141,029	-	191,022
HST, rents and other receivables	42,214	-	14,601	56,815	39,321	-	1,185	40,506
Prepaid expenses	93,712	-	-	93,712	85,898	-	-	85,898
Due from Parents for Community Living (notes 4 and 6)	843,471	-	-	843,471	843,471	-	-	843,471
	4,058,089	851,599	1,301,312	6,211,000	1,988,397	769,000	2,307	2,759,704
CAPITAL ASSETS (note 3)	49,776,394	-	2,003,618	51,780,012	51,386,593	-	141,275	51,527,868
	\$53,834,483	\$851,599	\$3,304,930	\$57,991,012	\$53,374,990	\$769,000	\$143,582	\$54,287,572
LIABILITIES								
CURRENT								
Accounts, payable and accrued	300,326	-	6,057	306,383	399,123	-	2,307	401,430
Government remittances payable	10,012	-	-	10,012	-	-	-	-
Deferred income (note 5)	5,213	-	-	5,213	7,051	-	-	7,051
Due to St. Paul's (notes 4 and 6)	282,939	-	-	282,939	282,939	-	-	282,939
Current portion of long-term debt (note 4)	538,967	-	-	538,967	2,164,127	-	-	2,164,127
	1,137,457	-	6,057	1,143,514	2,853,240	-	2,307	2,855,547
LONG-TERM DEBT (note 4)	27,000,431	-	-	27,000,431	24,114,463	-	-	24,114,463
TOTAL LIABILITIES	28,137,888	-	6,057	28,143,945	26,967,703	-	2,307	26,970,010
NET ASSETS								
Externally restricted (note 7)	-	2,996	1,295,255	1,298,251	-	18,330	-	18,330
Internally restricted (note 7)	-	848,603	-	848,603	-	750,670	-	750,670
Unrestricted	3,459,599	-	-	3,459,599	1,299,284	-	-	1,299,284
Investment in capital assets	22,236,996	-	2,003,618	24,240,614	25,108,003	-	141,275	25,249,278
	25,696,595	851,599	3,298,873	29,847,067	26,407,287	769,000	141,275	27,317,562
	\$53,834,483	\$851,599	\$3,304,930	\$57,991,012	\$53,374,990	\$769,000	\$143,582	\$54,287,572

MENNOHOMES INC.

OPERATING AS BEYOND HOUSING (note 1)

STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2025

(With comparative figures for the year ended August 31, 2024)

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

	2025				2024			
	<u>General Fund</u>	<u>Replacement Reserve Fund</u>	<u>New Projects Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Replacement Reserve Fund</u>	<u>New Projects Fund</u>	<u>Total</u>
REVENUES:								
Donations and fundraising	128,989	-	2,953,493	3,082,482	98,947	-	1,333,400	1,432,347
Rental income	2,607,165	-	-	2,607,165	2,444,860	-	-	2,444,860
Government grants	603,387	-	200,000	803,387	154,798	-	600,358	755,156
Investment and other income	159,014	14,080	10,400	183,494	162,919	16,527	3,390	182,836
	<u>3,498,555</u>	<u>14,080</u>	<u>3,163,893</u>	<u>6,676,528</u>	<u>2,861,524</u>	<u>16,527</u>	<u>1,937,148</u>	<u>4,815,199</u>
EXPENSES:								
Mortgage interest	415,269	-	-	415,269	320,117	-	-	320,117
Amortization of capital assets	1,688,413	-	-	1,688,413	1,252,801	-	-	1,252,801
Repairs and maintenance	393,075	152,317	-	545,392	356,372	125,552	-	481,924
Utilities	280,494	-	-	280,494	269,464	-	-	269,464
Insurance	144,675	-	-	144,675	134,860	-	-	134,860
Trillium benefit allowance and property tax	270,476	-	-	270,476	260,326	-	-	260,326
Office and administration	181,828	6,001	6,295	194,124	130,285	4,947	51,128	186,360
Salaries and benefits	349,266	-	-	349,266	328,333	-	-	328,333
Management and superintendent	258,914	-	-	258,914	234,919	-	-	234,919
	<u>3,982,410</u>	<u>158,318</u>	<u>6,295</u>	<u>4,147,023</u>	<u>3,287,477</u>	<u>130,499</u>	<u>51,128</u>	<u>3,469,104</u>
EXCESS (DEFICIT) FOR THE YEAR	(483,855)	(144,238)	3,157,598	2,529,505	(425,953)	(113,972)	1,886,020	1,346,095
NET ASSETS - opening	26,407,287	769,000	141,275	27,317,562	23,599,290	877,083	1,495,094	25,971,467
Interfund transfers								
Completion of Sprucelawn, St. Jacobs project	-	-	-	-	3,255,696	-	(3,255,696)	-
Support Sprucelawn construction	-	-	-	-	200,000	(200,000)	-	-
Budgeted transfers	(226,838)	226,838	-	-	(221,746)	205,889	15,857	-
NET ASSETS - closing	<u>\$25,696,595</u>	<u>\$851,599</u>	<u>\$3,298,873</u>	<u>\$29,847,067</u>	<u>\$26,407,287</u>	<u>\$769,000</u>	<u>\$141,275</u>	<u>\$27,317,562</u>

MENNOHOMES INC.

OPERATING AS BEYOND HOUSING (note 1)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2025

(With comparative figures for the year ended August 31, 2024)

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

	2025				2024			
	<u>General Fund</u>	<u>Replacement Reserve Fund</u>	<u>New Projects Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Replacement Reserve Fund</u>	<u>New Projects Fund</u>	<u>Total</u>
SOURCES (USES) OF CASH:								
OPERATING ACTIVITIES:								
Excess (deficit) for the year	(483,855)	(144,238)	3,157,598	2,529,505	(425,953)	(113,972)	1,886,020	1,346,095
Items not affecting cash:								
Amortization of capital assets	1,688,413	-	-	1,688,413	1,252,801	-	-	1,252,801
Change in non-cash current assets and liabilities:								
Investments - Reserve Funds	49,993	24,074	-	74,067	(49,993)	(4,895)	48,719	(6,169)
HST, rents and other receivables	(2,893)	-	(13,416)	(16,309)	17,485	-	442,162	459,647
Prepaid expenses	(7,814)	-	-	(7,814)	(16,648)	-	8,602	(8,046)
Due from Parents for Community Living (notes 4 and	-	-	-	-	5,381	-	-	5,381
Accounts, payable and accrued	(98,797)	-	3,750	(95,047)	159,133	-	(587,660)	(428,527)
Government remittances payable	10,012	-	-	10,012	-	-	-	-
Deferred income (note 5)	(1,838)	-	-	(1,838)	(37,091)	-	-	(37,091)
Due to St. Paul's (notes 4 and 6)	-	-	-	-	(198,547)	-	-	(198,547)
	1,153,221	(120,164)	3,147,932	4,180,989	706,568	(118,867)	1,797,843	2,385,544
INVESTING ACTIVITIES:								
Investment in capital assets	(78,214)	-	(1,862,343)	(1,940,557)	(12,294,940)	-	8,066,305	(4,228,635)
FINANCING ACTIVITIES:								
Interfund loans	-	-	-	-	1,497,418	-	(1,497,418)	-
Interfund transfers	(226,838)	226,838	-	-	3,233,950	5,889	(3,239,839)	-
Long-term debt acquired	3,027,663	-	-	3,027,663	(60,000)	-	2,313,050	2,253,050
Long-term debt repaid	(1,766,854)	-	-	(1,766,854)	7,213,058	-	(7,616,973)	(403,915)
	1,033,971	226,838	-	1,260,809	11,884,426	5,889	(10,041,180)	1,849,135
CHANGE IN FUNDS	2,108,978	106,674	1,285,589	3,501,241	296,054	(112,978)	(177,032)	6,044
CASH ON HAND - opening	969,714	627,971	1,122	1,598,807	673,660	740,949	178,154	1,592,763
CASH ON HAND - closing	\$3,078,692	\$734,645	\$1,286,711	\$5,100,048	\$969,714	\$627,971	\$1,122	\$1,598,807

MENNOHOMES INC.

Operating as Beyond Housing (note 1)

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2025

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. **MennoHomes Inc. has registered and uses the operating name 'Beyond Housing'.**

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, rents and other income 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.

MENNOHOMES INC.

Operating as Beyond Housing (note 1)

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2025

1. SIGNIFICANT ACCOUNT POLICIES (continued)

Cash

Cash is defined as cash balances held at financial institutions, plus short-term certificates which mature within thirty days.

2. FINANCIAL INSTRUMENTS

	<u>Interest rate</u>	<u>Maturity</u>	<u>2025</u>	<u>2024</u>
Investments - reflected at amortized cost:				
Guaranteed investment certificate	2.80%	Aug. 2026	57,099	55,544
Guaranteed investment certificate	4.75%	Apr. 2028	29,697	28,351
Guaranteed investment certificate	4.30%	Apr. 2029	30,158	28,914
Guaranteed investment certificate	5.00%	Jun. 2025	-	28,220
Guaranteed investment certificate	2.40%	Sep. 2024	-	49,993
Total - Replacement Reserve Fund			116,954	191,022
Other financial assets reflected at amortized cost - cash and receivables (excluding HST)			5,116,815	1,617,083
Total financial assets			\$5,233,769	\$1,808,105

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>2025</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2024</u> <u>Net Book</u> <u>Value</u>
Kitchener-Waterloo				
Land	5,154,486	-	5,154,486	5,154,486
Building	26,390,622	6,840,934	19,549,688	20,290,674
Appliances	225,450	136,335	89,115	92,248
	31,770,558	6,977,269	24,793,289	25,537,408
Wellesley				
Land	511,565	-	511,565	511,565
Building	1,033,207	440,947	592,260	616,937
Appliances	15,495	14,746	749	936
	1,560,267	455,693	1,104,574	1,129,438
Elmira				
Land	962,773	-	962,773	962,773
Building	6,160,071	1,903,054	4,257,017	4,434,393
Appliances	84,778	72,400	12,378	15,473
	7,207,622	1,975,454	5,232,168	5,412,639
St. Jacobs				
Land	3,180,904	-	3,180,904	3,180,904
Building	16,492,230	1,070,390	15,421,840	16,056,620
Appliances, furniture	60,799	41,333	19,466	44,961
	19,733,933	1,111,723	18,622,210	19,282,485
Office equipment and leasehold improvements	46,108	21,955	24,153	24,623
Total - General Fund	60,318,488	10,542,094	49,776,394	51,386,593
New projects				
Frederick St., Kitchener	2,003,618	-	2,003,618	141,275
	\$62,322,106	\$10,542,094	\$51,780,012	\$51,527,868

MENNOHOMES INC.

Operating as Beyond Housing (note 1)

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2025

4. LONG-TERM DEBT

	<u>2025</u>	<u>2024</u>
<u>Kitchener - The Village</u>		
Kindred Credit Union (1)	313,710	330,402
Ministry of Municipal Affairs and Housing (2)	-	229,000
Regional Municipality of Waterloo (3)	-	150,000
	<u>313,710</u>	<u>709,402</u>
<u>Kitchener - Rockway Gardens</u>		
Kindred Credit Union (4)	1,146,765	1,200,624
Abundance Canada (5)	227,868	316,731
Ministry of Municipal Affairs and Housing (6)	840,000	840,000
	<u>2,214,633</u>	<u>2,357,355</u>
<u>Kitchener - Bridgeport at Lancaster</u>		
Region of Waterloo (7)	3,818,032	3,818,032
Canada Mortgage and Housing Corporation - repayable portion (8)	6,935,200	6,532,980
Canada Mortgage and Housing Corporation - forgivable portion (8)	830,436	830,436
	<u>11,583,668</u>	<u>11,181,448</u>
<u>Wellesley</u>		
Ministry of Municipal Affairs and Housing - Pond View, Wellesley (9)	480,000	480,000
Regional Municipality of Waterloo - David Street, Wellesley (10)	240,000	240,000
Abundance, Canada - David Street, Wellesley (11)	-	28,971
	<u>720,000</u>	<u>748,971</u>
<u>Elmira</u>		
Kindred Credit Union - 7 Memorial Ave. Elmira (12)	1,065,101	1,093,475
Kindred Credit Union - Stillwater Street, Elmira (13)	99,074	107,115
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>3,628,025</u>	<u>3,664,440</u>
<u>St. Jacobs</u>		
Kindred Credit Union line of credit (17)	-	323,279
Region of Waterloo - Sprucelawn (18)	2,700,000	2,308,500
Canada Mortgage and Housing Corporation - repayable portion (19)	3,378,869	3,394,570
Canada Mortgage and Housing Corporation - forgivable portion (19)	1,511,096	1,590,625
Kindred Credit Union - Sprucelawn, Elmira (20)	1,489,397	-
	<u>9,079,362</u>	<u>7,616,974</u>
Total	<u>27,539,398</u>	<u>26,278,590</u>
Current portion		
Loans maturing in the forthcoming year, at expected maturity amounts	99,074	1,883,276
Projected principal payments - excluding maturities	439,893	280,851
	<u>538,967</u>	<u>2,164,127</u>
Long-term portion	<u>\$27,000,431</u>	<u>\$24,114,463</u>

(continued)

MENNOHOMES INC.

Operating as Beyond Housing (note 1)

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2025

4. LONG-TERM DEBT (continued)

Projected settlement of long-term debt:	<u>Fiscal year</u>	<u>Projected payments</u>	<u>Projected forgiveness</u>	<u>Total</u>
	2026	538,967	961,051	1,500,018
	2027	449,275	121,051	570,326
	2028	375,177	121,051	496,228
	2029	1,284,594	121,051	1,405,645
	thereafter	12,007,970	11,559,211	23,567,181
		<u>\$14,655,983</u>	<u>\$12,883,415</u>	<u>\$27,539,398</u>

Terms and Conditions:

Kitchener - The Village

- (1) The first mortgage payable bears interest at 4.7%, requires monthly principal and interest payments of \$15,657, matures in April 2030 and is secured by a first charge on the real estate known as "The Village".
- (2) Interest payments were forgiven annually and principal in December 2024, as MennoHomes Inc. complied with the terms of an agreement with the Ministry which defined 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%, could have been demanded by the Ministry, had the terms of the agreement with the Ministry not been met. The loan was 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 were forgiven in December 2024, as MennoHomes Inc. complied with the terms of an agreement with the Region which defined the nature of the affordable housing to be provided. Had the terms of the agreement are not met, interest, calculated monthly at bank prime plus 2%, plus principal could have been demanded by the Region. The loan was 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 payable bears interest at 4.7%, requires monthly principal and interest payments of \$15,657, matures in April 2030 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.

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.

MENNOHOMES INC.

Operating as Beyond Housing (note 1)

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2025

4. LONG-TERM DEBT (continued)

Kitchener - Bridgeport at Lancaster (continued)

- (8) The loan consists of a repayable portion and a forgivable portion as noted above, is 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. Forgiveness of the forgivable portion of the loan occurs annually in equal amounts of \$41,522 commencing in the 2026 fiscal year, 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. The repayable portion of the loan bears interest at 1.75%, requires principal and interest payments of \$17,364 monthly based the agreed amortization period of 50 years, with the loan scheduled to be renewed in August 2031.

Wellesley

- (9) 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.
- (10) 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.
- (11) The first mortgage payable bore interest at 6.65%, required monthly principal and interest payments of \$250, was secured by a first charge on the real estate and matured in November 2024.

Elmira

- (12) Mortgage payable which bears interest at 6.39%, requires monthly principal and interest payments of \$8,044, matures July 2029, 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 July 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.

MENNOHOMES INC.

Operating as Beyond Housing (note 1)

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2025

4. LONG-TERM DEBT (continued)

(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.

St. Jacobs

(17) Construction line of credit, interest only at prime due monthly, due on demand, secured by Credit Facilities Agreement, see (note 6)

(18) 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'.

(19) The loans consisted of a repayable portion and a forgivable portion as noted. The loans are 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. Forgiveness of the forgivable portion of the loan occurs annually in equal amounts over twenty years at \$79,529 annually, 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. The repayable portion of the loan bears interest 2.9%, requires monthly principal and interest payments of \$10,688, matures in February 2075, and has a renewal date of April 1, 2033.

(20) Mortgage payable bearing interest at 4.7%, required monthly principal and interest payments of \$8,469 matures in April 2030, secured by the assets noted in the Credit Facility note (below).

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

The Loan receivable from Parents for Community Living 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

	<u>2025</u>			<u>2024</u>
	<u>Grants and Donations</u>	<u>Special Needs</u>	<u>Total</u>	<u>Total</u>
Funding designated for Special Needs:				
Opening balance	4,837	2,214	7,051	44,142
Designated funds received	9,837	1,541	11,378	5,977
Designated funds disbursed	(13,216)	-	(13,216)	(43,068)
Closing balance	\$1,459	\$3,755	\$5,213	\$7,051

MENNOHOMES INC.

Operating as Beyond Housing (note 1)

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2025

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: \$3,309,975

Credit Facilities - MennoHomes Inc. has an agreement with Kindred Credit Union dated April 2025, and which expires in February 2026 (except for the fixed-term loans which mature according to their terms), with the following facilities:

- Letters of credit totaling \$107,143
- An operating line of credit to a maximum of \$28,000 with interest at prime payable monthly.
- An operating line of credit to a maximum of \$2,350,000 with interest at prime payable monthly.
- Two mortgage loans of \$1,500,000 each, bearing interest at 4.7%
- 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 Collateral Mortgage for \$187,500 on 27 Stillwater St., Elmira.

Bridgeport at Lancaster - in prior years, 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 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. St. Paul's 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 a prior year. The amount due from PCL represents the agreed selling price plus adjustments related to land and construction costs. The amount due to St. Paul's represents remaining balance due with respect to the 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.

Letters of Credit - MennoHomes Inc. has letters of credit outstanding totalling \$107,143 to the Township of Woolwich with respect to construction at their Sprucelawn property, in St. Jacobs.

Construction commitments - In the current year, MennoHomes Inc. committed to the construction of a new project with an estimated cost of \$9,325,000, which includes the cost of land which has been generously donated. MennoHomes Inc. has secured agreements for forgivable loans totalling \$6,144,265 and will fundraise for the remainder of the costs.

7. RESTRICTED NET ASSETS

Replacement Reserves. Funding agreements with both the Region of Waterloo and CMHC require that Replacement Reserves be maintained to fund significant repairs and replacements at certain properties. Transfers are made annually from the General Fund to these Externally Restricted Replacement Reserves in accordance with these requirements, and related expenses incurred, with the remaining unspent balances reflected as Externally Restricted Net Assets. In addition, the Board has chosen to make additional transfers from the General Fund to the Reserve Fund to fund any repairs and replacements which may exceed balances in the Externally Restricted Replacement Reserves. Unspent amounts of this nature are reflected as Internally Restricted Net Assets.

8. ALLOCATION OF COSTS TO NEW PROJECTS

	<u>2025</u>	<u>2024</u>
Costs capitalized to new construction projects.		
Staff salaries and benefits	\$57,745	\$56,127
Interest costs capitalized to new project costs:	<u>\$0</u>	<u>\$222,289</u>