

Financial Statements of

**SASKATOON MENNONITE
CARE SERVICES INC.**
(OPERATING AS BETHANY MANOR)

Year ended December 31, 2017



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INDEPENDENT AUDITOR'S REPORT

To the Directors of Saskatoon Mennonite Care Services Inc. (Operating as Bethany Manor)

We have audited the accompanying financial statements of Saskatoon Mennonite Care Services Inc. (Operating as Bethany Manor) which comprise the statement of financial position as at December 31, 2017 and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatoon Mennonite Care Services Inc. (Operating as Bethany Manor) as at December 31, 2017, and the results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

April 3, 2018

Saskatoon, Canada

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Statement of Financial Position

December 31, 2017, with comparative information for 2016

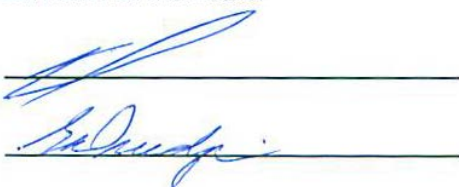
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,805,433	\$ 1,200,387
Accounts receivable	24,054	258,240
Short-term investments	509,784	503,514
Prepaid expenses	41,013	36,655
	<u>2,380,284</u>	<u>1,998,796</u>
Long-term receivables	382,231	307,204
Property, plant and equipment (note 3)	23,649,752	24,058,685
	<u>\$ 26,412,267</u>	<u>\$ 26,364,685</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 457,656	\$ 240,219
Deposits	90,091	81,839
Current portion of long-term debt (note 4)	506,128	293,955
	<u>1,053,875</u>	<u>616,013</u>
Long-term debt (note 4)	22,192,546	23,153,100
Net Assets		
Internally restricted (note 5)	1,858,305	1,763,046
Externally restricted (note 5)	944,501	661,539
Net assets invested in capital assets	951,078	611,630
Unrestricted (deficit)	(588,038)	(440,643)
	<u>3,165,846</u>	<u>2,595,572</u>
Contingencies (note 6)		
	<u>\$ 26,412,267</u>	<u>\$ 26,364,685</u>

See accompanying notes to financial statements.

On behalf of the Board:



SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Statement of Revenue and Expenses

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Rental and operating fees	\$ 4,091,346	\$ 3,785,554
Food service	607,022	539,375
Donations and grants	407,449	329,379
Amortization on life lease debentures (note 1(j))	264,297	248,979
Parking	139,101	135,196
Cable TV	106,357	108,283
Provincial subsidy	94,055	60,391
Interest income	20,577	21,749
Other services and fees	22,019	19,946
Suite transfer and deposits	5,960	4,060
Provincial SALS contribution	4,956	4,956
Federal subsidy	-	35,952
	5,763,139	5,293,820
Expenses:		
Salaries and benefits	1,867,912	1,618,681
Utilities	740,523	689,234
Amortization of property, plant and equipment	731,190	717,919
Repairs and maintenance	431,703	368,314
Property taxes	405,460	349,800
Materials and supplies	294,256	178,267
Food purchases	222,910	217,140
Cable TV	103,412	102,368
Insurance	64,940	52,909
Professional fees	63,278	114,223
Other operating	61,951	59,845
Security	33,468	36,172
Honoraria	29,660	28,485
Waste and recycling	27,648	34,438
Fund subsidies	26,775	22,486
Interest on long term debt	24,117	55,281
Food supplies and equipment	23,019	20,219
Telephone	15,227	14,259
Equipment rental	7,320	7,524
Loss on disposal of property, plant and equipment	6,962	-
Interest and bank charges	6,955	4,768
Donations and grants	3,000	3,000
Membership fees	1,335	2,028
Chronicle	-	1,064
Bad debts (recovery)	(156)	11,356
	5,192,865	4,709,780
Excess of revenue over expenses	\$ 570,274	\$ 584,040

See accompanying notes to financial statements.

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

	Unrestricted Net Assets	Externally Restricted Net Assets	Internally Restricted Net Assets	Nets Assets Invested in Capital assets	2017 Total	2016 Total
Balance, beginning of year	\$ (440,643)	\$ 661,539	\$ 1,763,046	\$ 611,630	\$ 2,595,572	\$ 2,011,532
Excess (deficiency) of revenues over expenses	749,271	200,072	87,824	(466,893)	570,274	584,040
Repayments (advances) on long term debt	(484,084)	-	-	484,084	-	-
Net purchase of capital assets	(322,257)	-	-	322,257	-	-
Transfer (to) from reserves	(90,325)	82,890	7,435	-	-	-
Balance, end of year	\$ (588,038)	\$ 944,501	\$ 1,858,305	\$ 951,078	\$ 3,165,846	\$ 2,595,572

See accompanying notes to financial statements.

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 570,274	\$ 584,040
Items not involving cash:		
Amortization on property, plant and equipment	731,190	717,919
Amortization on debentures	(264,297)	(248,979)
Loss on disposal of property, plant and equipment	6,962	-
Change in non-cash operating working capital:		
Accounts receivable	234,186	189,653
Prepaid expenses	(4,358)	990
Long term receivables	(75,027)	(307,204)
Deposits	8,252	11,288
Accounts payable and accrued liabilities	217,437	(242,417)
	1,424,619	705,290
Financing:		
Advances on long-term debt	2,502,600	2,877,488
Repayment on long-term debt	(2,986,684)	(3,140,314)
	(484,084)	(262,826)
Investing:		
Acquisition of property, plant and equipment	(342,791)	(150,882)
Proceeds on disposal of property, plant and equipment	13,572	-
Short-term investments	(6,270)	(503,514)
	(335,489)	(654,396)
Increase (decrease) in cash and cash equivalents	605,046	(211,932)
Cash and cash equivalents, beginning of year	1,200,387	1,412,319
Cash and cash equivalents, end of year	\$ 1,805,433	\$ 1,200,387

See accompanying notes to financial statements.

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements

Year ended December 31, 2017

Nature of operations:

Saskatoon Mennonite Care Services Inc. (the "Corporation") is a non-profit corporation, and a charity, that operates as Bethany Manor. The Corporation is controlled by members appointed by twelve Saskatoon and area Mennonite Churches. The Corporation was established to provide an active living retirement community in Saskatoon, through the operation of affordable independent, assisted living and personal care facilities, for seniors over 55 years of age.

Non-Profit Rental Division

The Non-Profit Rental Division, built in 1986, consists of 70 rental units. Rent is set to cover operating and refurbishing costs and is below market rent for comparable accommodation.

Innovative Housing

Innovative Housing, built in 1989, consists of 77 units of which 56 units are occupied under a life lease debenture arrangement and 21 units occupied on a rental basis. Tenants of the life lease debenture units pay a monthly occupancy fee, which varies by type of unit, as established by the Corporation, to recover the resident's proportionate share of the cost of operating the facility. Rent for rental units is established on an individual basis using the prescribed Graduated Rental Scale for the basic accommodation. The rental revenue realized on the foregoing basis may be less than the operating expenses on rental units. The federal and provincial governments, through Canada Mortgage and Housing Corporation and Saskatchewan Housing Corporation, have agreed to provide operating assistance to fund certain operating losses incurred in relation to approved expenses.

Bethany Court

Bethany Court, built in 1995, consists of an 18-unit townhouse complex of which 14 are occupied under a life lease arrangement and 4 are occupied on a rental basis. A monthly operating fee is charged, as established by the Corporation, to recover the resident's proportionate share of the cost of operating the facility.

Bethany Villa

Bethany Villa, built in 1996, transitioned from assisted living housing to a personal care facility effective February 1, 2017. Bethany Villa consists of 15 units occupied under a rental basis. Rent is established to cover operating and refurbishing costs.

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2017

Nature of operations (continued):

Bethany Tower

Bethany Tower, built in 2000, consists of a 56-unit multi-level building that is occupied under life lease arrangements. Tenants pay a monthly occupancy fee, which varies by type of unit, as established by the Corporation, to recover the resident's proportionate share of the cost of operating the facility.

Bethany Place

Bethany Place, built in 2008, consists of a 56-unit multi-level building of which 45 are occupied under life lease and 11 are occupied under rental arrangements. Life lease tenants pay a monthly occupancy fee, which varies by type of unit, as established by the Corporation, to recover the resident's proportionate share of the cost of operating the facility.

West Ridge Village

In 1992 the Corporation acquired 53 renovated units of the West Ridge Village residential complex in Saskatoon, Saskatchewan. The units are part of a family housing project that includes participation by the Saskatoon Housing Authority. The operations of the project are subject to a management agreement with Saskatoon Housing Authority who reports to a Consortium Board that is responsible for the overall operation of the project.

Enhanced Services

Bethany Manor provides enhanced services to the residents including an activity program, food services and parking facilities, each of which is provided on a fee for service basis.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, as set out in Part III of the Chartered Professional Accountants (CPA) Handbook.

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(b) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization on capital assets, allowances for uncollectible accounts and the estimation of the fair market value repurchase amount for life leases. Actual results could differ from these estimates.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits, which are highly liquid with original maturities of less than three months from the date of acquisition. These financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and subsequently recorded at fair value or amortized cost as follows:

Short-term investments consist of term deposits with financial institutions with terms to maturity between three and twelve months and are measured at fair value using quoted market prices, where available. Where quoted market prices are not available, estimated fair values are calculated using comparable securities.

Accounts receivable, long-term receivables, long-term debt, accounts payable and accrued liabilities are measured at amortized cost.

(e) Property, Plant and Equipment

Property, plant and equipment are recorded at cost and amortized over their expected useful life on a straight line basis using the following rates:

Buildings	50 years	Straight-line method
Furniture and fixtures	7 years	Straight-line method
Paving	20 years	Straight-line method
Geothermal heating system	50 years	Straight-line method

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(f) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. Volunteer contributors range from the Board of Directors to residents tending flowerbeds, meal servers to musicians, worship leaders to floor representatives and members of other committees, all important to Bethany Manor success and sustainability.

(g) Revenue recognition:

Restricted and unrestricted contributions are recognized as revenue in the related fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions restricted for the purchase of capital assets are deducted from the related capital assets with any amortization calculated on the net amount.

Rental and operating fees and fees for other services are recognized as revenue when the services are delivered and ultimate collection is reasonably assured.

(h) Restricted net assets- reserves:

The Corporation is required by Canada Mortgage and Housing Corporation and Saskatchewan Housing Corporation to allocate certain amounts from operations to fund building maintenance and capital replacement reserves in the Non-Profit and Innovative Housing divisions. Management has decided to maintain similar reserves in other divisions. Transactions related to these reserves are reported as Reserve Fund activities and the balances of reserve funds are recognized as restricted net assets.

Periodically, the Board allocated funds to be set aside for a specific purpose. These amounts are shown as internally restricted funds on the statement of financial position.

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

- (i) Allocation of expenses between non-profit rental units and innovative housing:

The common operating expenses of the Innovative Housing building are allocated between the rental and lease units contained therein based on the following method approved by Saskatchewan Housing Corporation for the determination of its subsidy in relation to the rental units.

- i. Expenses that are specifically identifiable with rental or lease units are charged to the appropriate division.
- ii. Administration expenses are allocated, to the rental division, in amounts approved by Saskatchewan Housing Corporation.
- iii. The Innovative Housing costs of capital replacements and refurbishing suites are allocated between the rental and lease divisions. This allocation excludes elements of these costs within lease units that are the responsibility of the lessee.
- iv. Other common operating expenses of Innovative Housing are allocated between the rental and lease divisions based on the number of units of each division. Common operating expenses are allocated regardless of whether the units are occupied.

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(j) Life lease debentures payable to tenants:

Some units in the facility are occupied under the terms of life lease debenture arrangements. These life leases provide the resident with the right to occupy a particular unit for their lifetime subject to rules of occupancy and payment of a monthly occupancy fee.

In order to acquire a life lease the residents must have purchased a non-interest bearing debenture. These debentures carry security in the form of a fixed and specific charge on the land and buildings of the Corporation, a fixed and specific first charge on other property of the Corporation, subordinate to certain mortgages on the property. The Corporation has further pledged not to encumber its assets by providing a guarantee of the indebtedness of any third party. The life lease debentures are not transferable to third parties. The Corporation has agreed to re-purchase the debentures and cancel the leases upon ninety days notice by the holder.

For debentures on five of the townhouse units issued prior to 2007, the re-purchase price is the market value less amortization charge of 1% per annum to a maximum of 10%, calculated on the market value of the debenture.

For debentures issued prior to April 1, 2014 the repurchase price is the original purchase price less a amortization charge of 1% per annum up to a maximum of 10% of the original purchase price.

For any debentures issued on or after April 1, 2014 the repurchase price is the original purchase price less amortization charge of 2% per annum for the first ten years and an additional 1% for the next ten years.

Amortization on debentures is accrued on a monthly basis as a reduction of the outstanding life lease debenture payable to tenants and an increase in revenue.

(k) Parking service agreements payable:

The Corporation has parking facilities for the use of residents who acquire the rights to use a specific indoor stall in the facility under the terms of a parking service agreement. These arrangements are entered into by residents making a payment of \$7,000 and agreeing to pay a monthly fee. The parking service agreement may be terminated on 90 days notice. The redemption amount is the original purchase price less an amortization charge of 1% per annum to a maximum of 10% of the original purchase price. Any gain realized as a result of reductions in the amount payable under the parking service agreement is recorded as an increase in reserve funds.

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Controlled entity:

The Corporation owns a controlling interest in West Ridge Village - Innovation Housing Project #2624 the accounts of which are not consolidated in these statements. The following summarized financial information has been taken from its published audited financial statements.

	2017	2016
Total assets	\$ 917,569	\$ 966,813
Total liabilities	1,048,204	1,156,022
Net assets (deficit)	(130,635)	(189,209)
	917,569	966,813
Results of operations:		
Total revenue	510,531	495,824
Total expenses	451,957	531,348
Excess (deficiency) of revenue over expenses	58,574	(35,524)
	2017	2016
Cash flows:		
Cash provided by (used in) operations	\$ 141,791	\$ 48,212
Cash provided by (used in) financial activities	(99,210)	(83,723)
Increase (decrease) in cash and cash equivalents	42,581	(35,511)
Cash and cash equivalents, end of year	\$ 134,548	\$ 91,967

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Property, plant and equipment:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Non-Profit Rental Division				
Building, furniture and fixtures	\$ 4,210,977	\$ 2,540,749	\$ 1,670,228	\$ 1,760,344
Land	179,074	-	179,074	179,074
	4,390,051	2,540,749	1,849,302	1,939,418
Innovative Housing Division				
Building, furniture and fixtures	5,996,224	3,284,775	2,711,449	2,817,667
Land	277,899	-	277,899	277,899
	6,274,123	3,284,775	2,989,348	3,095,566
Bethany Court				
Building, furniture and fixtures	4,475,144	800,991	3,674,153	3,712,798
Land	302,888	-	302,888	302,888
	4,778,032	800,991	3,977,041	4,015,686
Bethany Villa				
Building, furniture and fixtures	1,630,512	1,100,111	530,401	449,815
Land	150,562	-	150,562	150,562
	1,781,074	1,100,111	680,963	600,377
Bethany Tower				
Building, furniture and fixtures	8,478,925	2,820,985	5,657,940	5,821,652
Land	222,977	-	222,977	222,977
	8,701,902	2,820,985	5,880,917	6,044,629
Bethany Place				
Building, furniture and fixtures	8,675,725	1,820,330	6,855,395	6,923,555
	8,675,725	1,820,330	6,855,395	6,923,555
Fellowship Centre and Office Facility				
Building, furniture and fixtures	854,594	285,695	568,899	585,987
	854,594	285,695	568,899	585,987
Geo-Thermal Heating System				
Building, furniture and fixtures	1,094,689	263,110	831,579	853,467
	1,094,689	263,110	831,579	853,467
Bethany Walkway				
Building	16,560	252	16,308	-
	16,560	252	16,308	-
	\$ 36,566,750	\$ 12,916,998	\$ 23,649,752	\$ 24,058,685

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Property, plant and equipment (continued):

Certain units at the Corporation are traded on a life lease basis, whereby the tenant purchases the "right to use" ownership of the unit and the Corporation retains legal title and also manages the common operations thereof. Based upon management's estimated market prices at December 31, 2017, the value of life leases units to be repurchased at market value approximates \$866,000 (2016 - \$866,000).

4. Long-term debt:

	2017	2016
CMHC loan, interest at the CMHC Direct Lending rate of 1.14% per annum, repayable in monthly blended payments of \$15,570. Due February 2021. Secured by non-profit rental division land and building.	\$ 580,860	\$ 760,008
CMHC loan, interest at the CMHC Direct Lending rate of 1.14% per annum, repayable in monthly blended payments of \$7,217. Due April 2024. Secured by subsidized rental division land and buildings.	528,968	609,065
Affinity Credit Union loan, interest at 3.80% per annum, repayable in monthly blended payments of \$3,745. Due July 2018. Secured by land and buildings.	243,966	278,986
Life lease debentures payable to tenants (includes parking) See note 1(j):		
Bethany Tower	8,519,000	8,562,601
Bethany Manor	5,884,505	6,088,372
Bethany Place	4,016,431	3,878,134
Bethany Court	2,924,944	3,269,889
	22,698,674	23,447,055
Amounts payable within one year	506,128	293,955
	<u>\$ 22,192,546</u>	<u>\$ 23,153,100</u>

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Long-term debt (continued):

Principal repayments terms are approximately:

2018	\$	506,128
2019		265,166
2020		268,188
2021		114,909
2022		84,775
Thereafter		21,459,508
Total	\$	22,698,674

The Corporation has an operating line of credit available with Affinity Credit Union (AFC) for \$500,000 with interest at AFC prime plus .50% (3.95% at December 31, 2017). At December 31, 2017, there was no amounts outstanding (2016 - \$nil).

The AFC operating line of credit is secured by a general security agreement over all present and after acquired assets.

The Corporation has pledged the following as security for its CMHC loans:

- First mortgage on all Non-Profit Rental Division land and buildings;
- First mortgage on all Innovative Housing Division land and buildings;
- First mortgage on Bethany Place land and buildings;
- Assignment of policy proceeds on the insured assets of the Corporation;
- Assignment of accounts receivable;
- Covenant that debentures issued will contain a subordination clause that subordinates the holder's rights to the mortgages registered against the properties.

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Restricted net assets- reserves:

	2017	2016
Internally restricted net assets:		
Bethany Tower	\$ 488,680	\$ 428,093
Life Lease Apartments	347,905	337,213
Bethany Court	328,516	306,841
Bethany Villa	247,931	252,759
Bethany Place	168,277	142,904
Housing Assistance Fund	87,039	91,483
Health and Wellness Assistance Fund	60,024	60,504
Spiritual Care Contingency Fund	49,915	50,080
Assisted Living and Personal Care Support Fund	25,111	45,862
Fellowship Centre	26,927	26,927
Food Services	27,980	20,380
	<u>\$ 1,858,305</u>	<u>\$ 1,763,046</u>
Externally restricted net assets:		
Capital Campaign Fund	\$ 501,652	\$ 250,270
Subsidized rental units	280,729	255,641
Non-profit rental units	127,120	120,628
Bill and Elma Bergen Fund	35,000	35,000
	<u>\$ 944,501</u>	<u>\$ 661,539</u>

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Contingencies:

Saskatchewan Housing Corporation Centenary Affordable Housing Program (CAHP)

In 2006 the Corporation entered into an Agreement with Saskatchewan Housing Corporation where by the Corporation was to develop a 56-unit housing development for rental and life lease, of which all units are targeted for low income seniors. Saskatchewan Housing Corporation agreed to provide financial assistance to the Corporation in the amount of \$2,800,000 to construct the 56-units. As long as the Corporation follows the terms and conditions of the project the loan is not repayable. In 2006 the Corporation received \$2,800,000 which was recorded in the records as a reduction in the cost of property, plant and equipment of the 56-unit development.

The loan is being forgiven at a rate of \$11,667 monthly for the first 120 months and \$23,333 for the remaining 60 months. As of December 31, 2017 a balance of \$1,656,666 has been forgiven leaving an unforgiven balance of \$1,143,334 (2016 - \$1,411,667).

Life Leases

The Corporation has agreed within certain life lease agreements to repurchase the life lease units at market value. Based upon management's estimated market prices at December 31, 2017, the value of these life lease units to be repurchased in the future is approximately \$866,000 (2016 - \$866,000).

7. Saskatchewan Housing Corporation Grant:

During the year ended December 31, 2017, the Corporation received \$100,000 from Saskatchewan Housing Corporation to assist with the replacement of heat pumps and thermostats and associated costs. This amount was recorded as donations and grants revenue in the reserve fund operations. The Corporation utilized \$89,368 of these funds in 2017 and \$10,632 has been transferred to the subsidized rental unit reserve to be utilized for future capital projects.

8. Financial Instruments and Risk Management:

(a) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements and ensuring it has sufficient funds to fulfill its obligations.

SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Financial Instruments and Risk Management (continued):

(b) Credit risk:

Credit risk arises from the possibility that residents may be unable to fulfill their lease commitments. The Corporation mitigates this risk by conducting well defined procedures for addressing rent arrears, and by limiting the exposure to credit loss for any individual resident.

(c) Interest rate risk:

The Corporation is exposed to interest rate risk on its operating lines of credit, short-term investments and long-term debt. This risk is considered minimal due to the short-term nature of its term deposits as well as its credit lines and the amount of balance drawn. Interest rate risk is mitigated by way of fixed interest mortgages.

9. Related party transactions:

The Corporation owns a controlling interest in West Ridge Village - Innovation Housing Project #2624. During the year the Corporation incurred expenses relating to wages and supplies of \$24,487 (2016 - \$22,373) to West Ridge Village.

10. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.