

Financial Statements of

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

Year ended December 31, 2016



KPMG LLP  
500-475 2nd Avenue South  
Saskatoon Saskatchewan S7K 1P4  
Canada  
Tel (306) 934-6200  
Fax (306) 934-6233

## 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, 2016 and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended and notes and schedules, 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 the auditor's 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, the auditor considers 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, 2016, and the results of its 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

March 28, 2017

Saskatoon, Canada

# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,200,387	\$ 1,412,319
Accounts receivable	565,444	447,893
Short-term investments	503,514	-
Prepaid expenses	36,655	37,645
	<u>2,306,000</u>	<u>1,897,857</u>
Property, plant and equipment (note 3)	24,058,685	24,625,712
	<u>\$ 26,364,685</u>	<u>\$ 26,523,569</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt (note 5)	\$ 293,955	\$ 264,218
Accounts payable and accrued liabilities (note 4)	240,219	482,636
Deposits	81,839	70,551
	<u>616,013</u>	<u>817,405</u>
Long-term debt (note 5)	23,153,100	23,694,632
<b>Net Assets</b>		
Internally restricted (note 6)	1,763,046	1,631,302
Externally restricted (note 6)	661,539	412,484
Net assets invested in capital	611,630	666,862
Unrestricted (deficit)	(440,643)	(699,116)
	<u>2,595,572</u>	<u>2,011,532</u>
Contingencies (note 7)		
	<u>\$ 26,364,685</u>	<u>\$ 26,523,569</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, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Rental and operating fees	\$ 3,785,554	\$ 3,479,955
Food service	539,375	549,235
Donations and grants	329,379	92,367
Amortization on life lease debentures (note 5)	248,979	233,002
Parking	135,196	128,530
Cable TV	108,283	100,615
Provincial subsidy	60,391	87,020
Federal subsidy	35,952	71,904
Interest income	21,749	25,112
Other services and fees	19,946	14,454
Provincial SALS contribution	4,956	4,956
Suite transfer and deposits	4,060	10,670
	5,293,820	4,797,820
Expenses:		
Salaries and benefits	1,618,681	1,608,630
Amortization of capital assets	717,919	707,343
Utilities	689,234	670,018
Repairs and maintenance	368,314	352,442
Property taxes	349,800	345,722
Food purchases	217,140	213,393
Materials and supplies	178,267	105,518
Professional fees	114,223	50,787
Cable TV	102,368	90,591
Other operating	59,845	66,545
Interest on long term debt	55,281	102,749
Insurance	52,909	40,032
Security	36,172	43,161
Waste and recycling	34,438	27,554
Honoraria	28,485	27,510
Fund subsidies	22,486	6,751
Food supplies and equipment	20,219	26,216
Telephone	14,259	13,004
Bad debts	11,356	-
Equipment rental	7,524	-
Interest and bank charges	4,768	4,828
Donations and grants	3,000	3,000
Membership fees	2,028	-
Chronicle	1,064	1,286
Appliances	-	42,319
	4,709,780	4,549,399
Excess of revenue over expenses	\$ 584,040	\$ 248,421

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, 2016, with comparative information for 2015

	Unrestricted Net Assets	Externally Restricted Net Assets	Internally Restricted Net Assets	Nets Assets Invested in Capital	2016 Total	2015 Total
Balance, beginning of year	\$ (699,116)	\$ 412,484	\$ 1,631,302	\$ 666,862	\$ 2,011,532	\$ 1,763,111
Excess (deficiency) of revenues over expenses	776,478	166,165	110,337	(468,940)	584,040	248,421
Repayments (advances) on long term debt	(262,826)	-	-	262,826	-	-
Purchase of capital assets	(150,882)	-	-	150,882	-	-
Transfer (to) from reserves	(104,297)	82,890	21,407	-	-	-
Balance, end of year	\$ (440,643)	\$ 661,539	\$ 1,763,046	\$ 811,630	\$ 2,595,572	\$ 2,011,532

See accompanying notes to financial statements.

# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

## Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 584,040	\$ 248,421
Items not involving cash:		
Amortization on property, plant and equipment	717,919	707,343
Amortization on debentures	(248,979)	(233,002)
Change in non-cash operating working capital:		
Deposits	11,288	11,230
Prepaid expenses	990	(20,678)
Accounts receivable	(117,551)	(401,043)
Accounts payable and accrued liabilities	(242,417)	30,739
	705,290	343,010
Financing:		
Advances on long-term debt	2,877,488	3,436,065
Repayment on long-term debt	(3,140,314)	(3,366,036)
	(262,826)	70,029
Investing:		
Acquisition of property, plant and equipment	(150,882)	(30,740)
Short-term investments	(503,514)	-
	(654,396)	(30,740)
Increase (decrease) in cash and cash equivalents	(211,932)	382,299
Cash and cash equivalents, beginning of year	1,412,319	1,030,020
Cash and cash equivalents, end of year	\$ 1,200,387	\$ 1,412,319

See accompanying notes to financial statements.

# **SASKATOON MENNONITE CARE SERVICES INC.**

(Operating as Bethany Manor)

Year ended December 31, 2016

---

## **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 and assisted living 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 Townhouses**

Bethany Court Townhouses, built in 1995, consists of an 18-unit townhouse complex of which 15 are occupied under a life lease arrangement and 3 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 Assisted Living Housing**

Bethany Villa Assisted Living Housing, built in 1996, consists of 15 units occupied under a life lease arrangement or on a rental basis. Units occupied under the life lease debenture arrangement 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. Amortization is recovered on the life lease debentures at a rate of 1% per year to a maximum of 10%. Amortization accrued annually is recognized as increases in the reserve fund. Rent is established on an individual basis to a maximum of market rent for comparable accommodation.

Effective January 1, 2017 Bethany Villa was transitioned to a personal care facility.



# **SASKATOON MENNONITE CARE SERVICES INC.**

(Operating as Bethany Manor)

Year ended December 31, 2016

---

## **Nature of operations (continued):**

### **Bethany Tower**

Bethany Tower, built in 2000, consists of a 56-unit condominium style 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 condominium style 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.

### **b) 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.

# SASKATOON MENNONITE CARE SERVICES INC.

(Operating as Bethany Manor)

Year ended December 31, 2016

---

## 1. Significant accounting policies (continued):

### c) 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 debt, accounts payable and accrued liabilities are measured at amortized cost.

### d) Capital assets:

Capital assets 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

---

### e) 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.

### f) 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.

# SASKATOON MENNONITE CARE SERVICES INC.

(Operating as Bethany Manor)

Year ended December 31, 2016

---

## 1. Significant accounting policies (continued):

### g) 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.

### h) 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.

### i) 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.

# **SASKATOON MENNONITE CARE SERVICES INC.**

(Operating as Bethany Manor)

Year ended December 31, 2016

---

## **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)

Year ended December 31, 2016

## 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.

	2016	2015
<b>Total assets</b>	<b>\$ 966,813</b>	<b>\$ 1,084,600</b>
<b>Total liabilities</b>	<b>1,156,022</b>	<b>1,238,285</b>
<b>Net assets (deficit)</b>	<b>(189,209)</b>	<b>(153,685)</b>
	<b>\$ 966,813</b>	<b>\$ 1,084,600</b>
<b>Results of operations:</b>		
Total revenue	495,824	505,972
Total expenses	531,348	538,666
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (35,524)</b>	<b>\$ (32,694)</b>
	2016	2015
<b>Cash flows:</b>		
Cash provided by (used in) operations	\$ 48,212	\$ 30,358
Cash provided by (used in) financing activities	(83,723)	(80,245)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>\$ (35,511)</b>	<b>\$ (49,887)</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 91,967</b>	<b>\$ 127,478</b>

# SASKATOON MENNONITE CARE SERVICES INC.

(Operating as Bethany Manor)

Year ended December 31, 2016

## 3. Property, plant and equipment:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
<b>Non-Profit Rental Division</b>				
Building, furniture and fixtures	4,211,622	2,451,278	1,760,344	1,848,020
Land	\$ 179,074	\$ -	\$ 179,074	\$ 179,074
	4,390,696	2,451,278	1,939,418	2,027,094
<b>Innovative Housing Division</b>				
Building, furniture and fixtures	5,973,474	3,155,807	2,817,667	2,922,282
Land	\$ 277,899	\$ -	\$ 277,899	\$ 277,899
	6,251,373	3,155,807	3,095,566	3,200,181
<b>Bethany Court Townhouses</b>				
Building, furniture and fixtures	4,473,190	760,392	3,712,798	3,734,533
Land	\$ 302,888	\$ -	\$ 302,888	\$ 302,888
	4,776,078	760,392	4,015,686	4,037,421
<b>Bethany Villa</b>				
Building, furniture and fixtures	1,494,263	1,059,500	434,763	460,880
Land	\$ 150,562	\$ -	\$ 150,562	\$ 150,562
	1,644,825	1,059,500	585,325	611,442
<b>Bethany Tower</b>				
Building, furniture and fixtures	8,469,517	2,647,865	5,821,652	5,962,957
Land	\$ 222,977	\$ -	\$ 222,977	\$ 222,977
	8,692,494	2,647,865	6,044,629	6,185,934
<b>Bethany Place</b>				
Building, furniture and fixtures	\$ 8,532,969	\$ 1,609,414	\$ 6,923,555	\$ 7,084,829
	8,532,969	1,609,414	6,923,555	7,084,829
<b>Fellowship Centre and Office Facility</b>				
Building, furniture and fixtures	\$ 854,594	\$ 268,607	\$ 585,987	\$ 603,075
	854,594	268,607	585,987	603,075
<b>Geo-Thermal Heating System</b>				
Building, furniture and fixtures	\$ 1,094,689	\$ 241,222	\$ 853,467	\$ 875,736
	1,094,689	241,222	853,467	875,736
<b>Personal Care</b>				
Furniture and fixtures	\$ 17,318	\$ 2,266	\$ 15,052	\$ -
	17,318	2,266	15,052	-
	<b>\$ 36,255,036</b>	<b>\$12,196,351</b>	<b>\$24,058,685</b>	<b>\$ 24,625,712</b>

# SASKATOON MENNONITE CARE SERVICES INC.

(Operating as Bethany Manor)

Year ended December 31, 2016

### 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, 2016, the value of life leases units to be repurchased at market value approximates \$866,000 (2015 - \$868,000).

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2016 are government remittances payable of \$15 (2015 - \$82) relating to federal and provincial sales taxes, payroll taxes, health taxes and workers' safety insurance.

### 5. Long-term debt:

	2016	2015
CMHC loan, interest at the CMHC Direct Lending rate of 1.14% (2015 - 4.61%) per annum, repayable in monthly blended payments of \$15,570 (2015 - \$16,853). The loan matures on February 1, 2021 and is secured by non-profit rental division land and building	\$ 760,008	\$ 929,412
CMHC loan, interest at the CMHC Direct Lending rate of 1.14% (2015 - 4.61%) per annum, repayable in monthly blended payments of \$7,217 (2015 - \$8,222). The loan matures on April 1, 2024 and is secured by subsidized rental division land and buildings.	609,065	682,808
Affinity Credit Union loan, interest at 3.80% (2015 - 3.84%) per annum, repayable in monthly blended payments of \$3,745 (2015 - \$3,749). The loan matures on January 2, 2024 subject to renewal in July, 2018 and is secured by land and buildings.	278,986	312,642
Life lease debentures payable to tenants (includes parking):		
Bethany Tower	8,562,601	8,441,124
Bethany Manor	6,088,372	5,833,709
Bethany Place	3,878,134	4,155,244
Bethany Court Townhouses	3,269,889	3,305,258
Bethany Villa - Assisted Living Housing	-	298,653
	23,447,055	23,958,850
Amounts payable within one year	(293,955)	(264,218)
	\$ 23,153,100	\$ 23,694,632

# SASKATOON MENNONITE CARE SERVICES INC.

(Operating as Bethany Manor)

Year ended December 31, 2016

---

## 5. Long-term debt (continued):

Principal repayments terms are approximately:

---

2017	\$ 293,955
2018	298,274
2019	302,680
2020	307,168
2021	155,485
Thereafter	22,089,493
<b>Total</b>	<b>\$ 23,447,055</b>

---

The Corporation has an operating line of credit available with Affinity Credit Union for \$100,000 with interest at 4.7%. At December 31, 2016, there were no amounts outstanding (2015 - \$nil).

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)

Year ended December 31, 2016

## 6. Restricted net assets - reserves:

	2016	2015
Externally restricted net assets:		
Capital Campaign Fund	\$ 250,270	\$ 16,450
Subsidized rental units	255,641	204,789
Non-profit rental units	120,628	156,245
Bill and Elma Bergen Fund	35,000	35,000
	<u>\$ 661,539</u>	<u>\$ 412,484</u>

## Internally restricted net assets:

Bethany Tower	428,093	373,284
Life Lease Apartments	337,213	282,675
Bethany Court	306,841	296,711
Bethany Villa Assisted Living Housing	252,759	262,486
Bethany Place	142,904	106,306
Housing Assistance Fund	91,483	96,752
Health and Wellness Assistance Fund	60,504	60,579
Assisted Living Support Fund	45,862	60,579
Spiritual Care Contingency Fund	50,080	40,073
Fellowship Centre	26,927	23,127
Food Services	20,380	28,730
	<u>\$ 1,763,046</u>	<u>\$ 1,631,302</u>

# SASKATOON MENNONITE CARE SERVICES INC.

(Operating as Bethany Manor)

Year ended December 31, 2016

---

## 7. 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, 2016 a balance of \$1,388,333 has been forgiven leaving an unforgiven balance of \$1,411,667 (2015 - \$1,551,667).

### *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, 2016, the value of these life lease units to be repurchased in the future is approximately \$866,000 (2015 - \$868,000).

## 8. Saskatchewan Housing Corporation Grant:

During the year ended December 31, 2016, the Corporation received \$150,000 from Saskatchewan Housing Corporation to assist in HVAC system upgrades and associated costs. The Corporation utilized \$125,655 of these funds in 2016 in upgrades to the HVAC system. This amount was recorded as a reduction in the related asset and \$24,345 has been transferred to the subsidized rental unit reserve to be utilized for future capital projects.

## 9. Financial instruments and risk management:

The Corporation has exposure to the following risks from its use of financial instruments:

### 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.

### 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 reference checks prior to resident placement on subsidized rental units and well defined procedures for addressing rent arrears, and by limiting the exposure to credit loss for any individual resident.

# **SASKATOON MENNONITE CARE SERVICES INC.**

(Operating as Bethany Manor)

Year ended December 31, 2016

---

## **9. Financial instruments and risk management (continued):**

### **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.

## **10. 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 \$22,373 (2015 - \$32,643) to West Ridge Village. During the year, the Corporation received donations from West Ridge Village totaling \$8,100 (2015 - \$12,883).