

Financial Statements of

**SASKATOON MENNONITE  
CARE SERVICES INC.**

(OPERATING AS BETHANY MANOR)

Year ended December 31, 2021



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## INDEPENDENT AUDITOR'S REPORT

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

### *Opinion*

We have audited the financial statements of Saskatoon Mennonite Care Services Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of revenue and expenses for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our 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 auditors' report that includes our 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We 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 our 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity 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.
- 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 we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants

Saskatoon, Canada

March 22, 2022

# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,140,567	\$ 859,389
Accounts receivable	22,195	30,131
Short-term investments (note 3)	547,149	849,885
Prepaid expenses	71,203	52,872
	1,781,114	1,792,277
Long-term receivables	705,379	697,706
Property, plant and equipment (note 4)	22,683,352	22,980,672
	\$ 25,169,845	\$ 25,470,655

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 426,190	\$ 261,373
Deposits	106,324	116,104
Current portion of long-term debt (note 5)	127,832	155,579
	660,346	533,056
Long-term debt (note 5)	161,761	289,853
Life lease debentures (note 6)	19,778,793	20,095,158
	20,600,900	20,918,067
Net Assets		
Internally restricted (note 7)	1,944,090	2,051,229
Externally restricted (note 7)	519,955	561,498
Net assets invested in capital assets	2,614,966	2,440,082
Unrestricted (deficit)	(510,066)	(500,221)
	4,568,945	4,552,588

Contingencies (note 8)

	\$ 25,169,845	\$ 25,470,655
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See accompanying notes to financial statements.

On behalf of the Board:

  
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# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

## Statement of Revenue and Expenses

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Rental and operating fees	\$ 4,449,682	\$ 4,446,609
Food service	663,313	593,258
Amortization on life lease debentures	274,514	261,463
Parking	129,173	133,148
Donations	117,255	254,601
Cable TV	98,702	105,477
Provincial subsidy	73,850	71,769
Grants	65,271	57,645
Other services and fees	16,328	15,117
Interest income	7,378	22,193
Suite transfer and deposits	5,970	5,100
Provincial SALS contribution	4,956	4,956
	5,906,392	5,971,336
Expenses:		
Salaries and benefits	2,144,409	2,066,734
Utilities	820,604	843,187
Amortization of property, plant and equipment	820,482	799,157
Repairs and maintenance	492,127	393,745
Property taxes	479,843	470,064
Materials and supplies	270,378	235,868
Food purchases	253,750	237,196
Insurance	152,693	88,398
Cable TV	136,755	130,250
Professional fees	63,615	48,920
Safety and security	60,381	37,057
Fund subsidies	39,748	45,633
Food supplies and equipment	36,760	45,449
Other operating	37,032	39,840
Waste and recycling	33,303	32,400
Telephone and internet	18,441	17,096
Equipment rental	9,652	9,652
Bank fees and service charges	9,208	7,933
Interest on long term debt	6,915	11,433
Membership and licensing fees	2,268	1,767
Honoraria	1,050	450
Loss on disposal of property, plant and equipment	621	842
	5,890,035	5,563,071
Excess of revenue over expenses	\$ 16,357	\$ 408,265

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, 2021, with comparative information for 2020

	Unrestricted Net Assets	Externally Restricted Net Assets	Internally Restricted Net Assets	Net Assets Invested in Capital Assets	2021 Total	2020 Total
Balance, beginning of year	\$ (500,221)	\$ 561,498	\$ 2,051,229	\$ 2,440,082	\$ 4,552,588	\$ 4,144,323
Excess (deficiency) of revenues over expenses	734,947	(65,483)	(107,139)	(545,968)	16,357	408,265
Repayments (advances) on long term debt and life lease debentures	(197,691)	-	-	197,691	-	-
Net purchase of capital assets	(523,161)	-	-	523,161	-	-
Transfer (to) from reserves (note 7)	(23,940)	23,940	-	-	-	-
Balance, end of year	\$ (510,066)	\$ 519,955	\$ 1,944,090	\$ 2,614,966	\$ 4,568,945	\$ 4,552,588

See accompanying notes to financial statements.

# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

## Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 16,357	\$ 408,265
Items not involving cash:		
Amortization on property, plant and equipment	820,482	799,157
Amortization on debentures	(274,514)	(261,463)
Loss on disposal of property, plant and equipment	621	842
Change in non-cash operating working capital:		
Accounts receivable	7,936	8,210
Prepaid expenses	(18,331)	(6,156)
Long term receivables	(7,673)	(91,078)
Deposits	(9,780)	987
Accounts payable and accrued liabilities	164,817	(232,884)
	699,915	625,880
Financing:		
Repayment on long-term debt	(155,839)	(307,294)
Advances on life lease debentures	1,417,453	2,252,615
Repayment on life lease debentures	(1,459,305)	(2,637,889)
	(197,691)	(692,568)
Investing:		
Acquisition of property, plant and equipment	(523,782)	(160,974)
Short-term investments	302,736	182,799
	(221,046)	21,825
Increase (decrease) in cash and cash equivalents	281,178	(44,863)
Cash and cash equivalents, beginning of year	859,389	904,252
Cash and cash equivalents, end of year	\$ 1,140,567	\$ 859,389

See accompanying notes to financial statements.



# **SASKATOON MENNONITE CARE SERVICES INC.**

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements

Year ended December 31, 2021

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## **Nature of operations:**

Saskatoon Mennonite Care Services Inc. (the "Corporation") is a non-profit corporation, and a registered 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.

## **COVID-19**

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in governments worldwide, including the Canadian and Provincial governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, closures of non-essential businesses, and physical distancing, have caused material disruption to businesses in Saskatchewan resulting in an economic slowdown.

The Corporation has applied for and received financial assistance from the Canadian government under the Canada Emergency Wage Subsidy (CEWS) in the amount of \$58,004 (2020 - \$49,655) and has been recorded as grant revenue.

There are also other factors which present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect of these items is not practicable at this time.

## **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.

# **SASKATOON MENNONITE CARE SERVICES INC.**

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2021

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

### **Innovative Housing**

Innovative Housing, built in 1989, consists of 77 units of which 55 units are occupied under a life lease debenture arrangement and 22 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 21 of the 22 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.

### **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 33 are occupied under life lease and 23 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.

# **SASKATOON MENNONITE CARE SERVICES INC.**

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2021

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

### **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) Organizations subject to control:**

The Corporation exerts control over West Ridge Village - Innovation Housing Project #2624 (the Village) by virtue of appointment of the Village's voting Board members and through the ownership of the 53 units that comprise the housing project.

The Corporation's financial statements do not include the accounts of West Ridge Village. The required disclosures have been provided in note 2.

All related party transactions organizations are disclosed in note 10.

# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 1. Significant accounting policies (continued):

(c) 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.

(d) 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.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and subsequently 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 amortized cost.

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

Financial assets at amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Entity expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 1. Significant accounting policies (continued):

(f) 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 and walkway	50 years	Straight-line method
Geothermal heating system	50 years	Straight-line method
Major equipment, paving and landscaping	20 years	Straight-line method
Appliances, furniture and fixtures	7 years	Straight-line method
Computers	3 years	Straight-line method

(g) 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.

(h) Revenue recognition:

The Corporation follows the restricted fund method of accounting for contributions. 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.

Externally restricted revenue related to general operations is recorded as deferred revenue and recognized as revenue in the year in which the related expenses are incurred.

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)

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 1. Significant accounting policies (continued):

(i) Net assets- reserves:

Unrestricted net assets:

The unrestricted net asset reserve fund accounts for the Corporations operating activities. Resources of the unrestricted fund are used for administrative purposes and are periodically redirected to other restricted funds where the Board has approved such an allocation.

Externally restricted net assets:

The Corporation includes in the externally restricted net assets fund certain donations and contributions designated by the donor or contributor for a specified use.

The Bill and Elma Bergen Fund is to be used for the purpose of providing relief in situations of poverty or hardship faced by residents of the Corporation.

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. Such amounts are reflected as transfers from the unrestricted net assets reserve to the externally restricted net assets reserve.

Internally restricted net assets:

The internally restricted net assets fund reflects funds that the Board has allocated for a specific purpose.

Certain internally restricted funds represent resources available to be used by the Corporation for maintenance and capital replacement for the following buildings: Bethany Tower, Life Lease Apartments, Bethany Court, Bethany Villa, Bethany Place, Fellowship Center and Food Services. Contributions to the Housing Assistance Fund, Health and Wellness Assistance Fund, and Assisted Living and Personal Care Support fund are to be used to provide subsidies to residents that meet requirements of the specified purpose of the funds. Contributions to the Spiritual Care Contingency Fund are to be used for expenditures made towards the Spiritual Care division of the Corporation.

Transactions related to these reserves are reflected as transfers from the unrestricted net assets fund to the internally restricted net assets fund. Donations made for the purpose of these funds are reported as contributions in to the fund in the year received.

# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 1. Significant accounting policies (continued):

- (j) 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.

- (k) Life leases:

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. Life lease holders have the option to defer future increases to operating fees which are instead settled at the same time the life lease debenture is settled. Such deferrals are recorded as long term receivables.

For debentures on certain of the townhouse units issued prior to 2007, the re-purchase price is the market value less depreciation charge of 1% per annum to a maximum of 10%, calculated on the market value of the debenture. In this type of life lease debenture arrangement, the risks and rewards of ownership are considered to have passed to the lessee upon signing of the agreement and the transaction is treated as a sale. Any resulting gain or loss is recorded in the statement of revenue and expenses.

# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 1. Significant accounting policies (continued):

### (k) Life lease debentures payable to tenants (continued):

For debentures issued prior to April 1, 2014 the repurchase price is the original purchase price less a depreciation charge of 1% per annum up to a maximum of 10% of the original purchase price. Proceeds received on entering into this type of life lease debenture arrangement are reflected as life lease debentures on the balance sheet.

For any debentures issued on or after April 1, 2014 the repurchase price is the original purchase price less depreciation charge of 2% per annum for the first ten years and an additional 1% for the next ten years. Proceeds received on entering into this type of life lease debenture arrangement are reflected as life lease debentures on the balance sheet.

Depreciation 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.

### (l) 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.

For parking service agreements issued prior to June 23, 2020 the redemption amount is the original purchase price less a depreciation charge of 1% per annum to a maximum of 10% of the original purchase price.

For parking service agreements issued on or after June 23, 2020 the redemption amount is the original purchase price less a depreciation charge of 2% per annum for the first ten years and an additional 1% for the next ten years.

Any gain realized as a result of reductions in the amount payable under the parking service agreement is recorded as an increase in revenue.



# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 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.

	2021	2020
Total assets	\$ 738,513	\$ 791,392
Total liabilities	628,981	733,832
Net assets	109,532	57,560
	738,513	791,392
Results of operations:		
Total revenue	634,424	575,621
Total expenses	582,452	517,218
Excess of revenue over expenses	51,972	58,403
	2021	2020
Cash flows:		
Cash provided by operations	\$ 139,676	\$ 146,145
Cash provided by (used in) financial activities	(105,822)	(104,121)
Increase in cash and cash equivalents	33,854	42,024
Cash and cash equivalents, end of year	\$ 301,963	\$ 268,109

## 3. Short-term investments:

Included in short term investments are guaranteed investment certificates with major Canadian financial institutions which bear interest at 0.75% and matures in December 2022. Amounts are invested based on estimated financial requirements of the Corporation.

# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 4. Property, plant and equipment:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
<b>Non-Profit Rental Division</b>				
Building, furniture and fixtures, appliances and major equipment	\$ 4,448,590	\$ (2,949,879)	\$ 1,498,711	\$ 1,539,803
Land	179,074	-	179,074	179,074
	4,627,664	(2,949,879)	1,677,785	1,718,877
<b>Innovative Housing Division</b>				
Building, furniture and fixtures, appliances and major equipment	6,104,262	(3,849,310)	2,254,952	2,377,842
Land	277,899	-	277,899	277,899
	6,382,161	(3,849,310)	2,532,851	2,655,741
<b>Bethany Court</b>				
Building, furniture and fixtures and appliances	5,090,529	(970,007)	4,120,522	3,902,167
Land	302,888	-	302,888	302,888
	5,393,417	(970,007)	4,423,410	4,205,055
<b>Bethany Villa</b>				
Building, furniture and fixtures, appliances and major equipment	1,652,235	(1,264,780)	387,455	422,643
Land	150,562	-	150,562	150,562
	1,802,797	(1,264,780)	538,017	573,205
<b>Bethany Tower</b>				
Building, furniture and fixtures, appliances and major equipment	8,674,739	(3,543,967)	5,130,772	5,192,143
Land	222,977	-	222,977	222,977
	8,897,716	(3,543,967)	5,353,749	5,415,120
<b>Bethany Place</b>				
Building, furniture and fixtures, appliances and major equipment	8,859,506	(2,718,994)	6,140,512	6,337,121
	8,859,506	(2,718,994)	6,140,512	6,337,121
<b>Fellowship Centre and Office Facility</b>				
Building, furniture and fixtures	863,838	(356,797)	507,041	525,449
	863,838	(356,797)	507,041	525,449
<b>Geo-Thermal Heating System</b>				
Building, furniture and fixtures	1,094,689	(350,655)	744,034	765,922
	1,094,689	(350,655)	744,034	765,922
<b>Bethany Walkway</b>				
Building, furniture and fixtures	823,994	(58,041)	765,953	784,182
	823,994	(58,041)	765,953	784,182
	\$ 38,745,782	\$ (16,062,430)	\$ 22,683,352	\$ 22,980,672

# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 4. 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, 2021, the value of life leases units to be repurchased at market value approximates \$333,900 (2020 - \$333,000).

In the year ended December 31, 2021 the Corporation has assessed for full and partial impairment on property, plant and equipment and determined that there are none.

## 5. Long-term debt:

	2021	2020
CMHC loan, interest at the CMHC Direct Lending rate of 1.14% (2020 - 1.14%) per annum, repayable in monthly blended payments of \$15,570 (2020 - \$15,570). Due February 2021. Secured by non-profit rental division land and building.	\$ -	\$ 31,092
CMHC loan, interest at the CMHC Direct Lending rate of 1.14% (2020 - 1.14%) per annum, repayable in monthly blended payments of \$7,217 (2020 - \$7,217). Due April 2024. Secured by innovative housing division land and buildings.	199,113	283,147
Affinity Credit Union loan, interest at 4.09% (2020 - 4.09%) per annum, repayable in monthly blended payments of \$3,773 (2020 - \$3,773). Due July 2023. Secured by land and buildings.	90,480	131,193
	289,593	445,432
Amounts payable within one year	127,832	155,579
	\$ 161,761	\$ 289,853

Principal repayments terms are approximately:

2022	\$	127,832
2023		134,407
2024		27,354
Total	\$	289,593

# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2021

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

The Corporation has an operating line of credit available with Affinity Credit Union (AFC) for \$500,000 with interest at AFC prime plus .50% (2.95% at December 31, 2021). At December 31, 2021, there was no amounts outstanding (2020 - \$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.

## 6. Life lease debentures:

	2021	2020
Life lease debentures payable to tenants (includes parking)		
Bethany Tower	\$ 8,529,984	\$ 8,563,978
Bethany Manor	5,410,302	5,436,965
Bethany Place	2,722,321	3,033,879
Bethany Court	3,116,186	3,060,336
	<u>\$ 19,778,793</u>	<u>\$ 20,095,158</u>

Under life lease debenture agreements signed to date, the Corporation has committed to the life occupancy resident that upon termination of the resident's life lease, the Corporation will reimburse the resident from the proceeds. However, as a minimum, the Corporation has guaranteed that the resident will receive not less than the original amount of the life lease debenture proceeds less the amortization charge on the life lease debenture and any amounts owing to the Corporation.

# SASKATOON MENNONITE CARE SERVICES INC.

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 7. Restricted net assets- reserves:

	December 31, 2020	Contributions	Disbursements	Interfund Transfers	December 31, 2021
Internally restricted net assets:					
Maintenance and capital replacement					
Bethany Tower	\$ 472,716	\$ -	\$ (39,088)	\$ -	\$ 433,628
Life Lease Apartments	372,723	-	(49,257)	-	323,466
Bethany Court	406,590	-	(7,606)	-	398,984
Bethany Villa	243,117	-	(9,715)	-	233,402
Bethany Place	213,669	-	(56,339)	-	157,330
Fellowship Centre	26,372	-	-	-	26,372
Food Services	35,580	-	-	-	35,580
Other internally restricted net assets					
Housing Assistance Fund	74,963	3,725	(7,093)	-	71,595
Health and Wellness Assistance Fund	42,986	11,721	(2,642)	-	52,065
Assisted Living and Personal Care Support Fund	162,513	79,168	(30,013)	-	211,668
	<b>\$2,051,229</b>	<b>\$ 94,614</b>	<b>\$ (201,753)</b>	<b>\$ -</b>	<b>\$1,944,090</b>
Externally restricted net assets:					
Innovative Housing rental units	324,372	-	(19,021)	23,940	329,291
Non-profit rental units	202,126	-	(46,462)	-	155,664
Bill and Elma Bergen Fund	35,000	-	-	-	35,000
	<b>\$ 561,498</b>	<b>\$ -</b>	<b>\$ (65,483)</b>	<b>\$ 23,940</b>	<b>519,955</b>

All internal and external fund transfers are approved by the Board of Directors.

Fund allocations relating to the subsidized rental unit are pre-approved by the Saskatchewan Housing Corporation and expenditures in excess of the yearly allocation are approved by the Board of Directors.

# **SASKATOON MENNONITE CARE SERVICES INC.**

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## **8. 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, 2021 a balance of \$2,776,667 has been forgiven leaving an unforgiven balance of \$23,333 (2020 - \$303,334).

### 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, 2021, the value of these life lease units to be repurchased in the future is approximately \$333,900 (2020 - \$333,000).

## **9. 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.

### (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.

# **SASKATOON MENNONITE CARE SERVICES INC.**

(OPERATING AS BETHANY MANOR)

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## **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.

### (d) Fair values:

Financial instruments are carried at amortized cost. The fair value of cash and cash equivalents, accounts receivable, short-term investments and accounts payable and accrued liabilities approximate their carrying value due to their short-term period to maturity. The fair value of long-term debt approximate their carrying value. The fair value of long-term receivables and life lease debentures is not readily determinable due to uncertainty regarding timing of settlement.

## **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 \$nil (2020 - \$5,321) to West Ridge Village.