

HOUSE OF FRIENDSHIP
FINANCIAL STATEMENTS
MARCH 31, 2026

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Approved on behalf of the Board of Directors:



Director



Director



INDEPENDENT AUDITOR'S REPORT

To the Directors of House of Friendship

Opinion

I have audited the financial statements of **House of Friendship** (the organization), which comprise the statement of financial position as at **March 31, 2026**, and the statement of operations and change in net assets, and the statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **House of Friendship** as at **March 31, 2026** and its results of operations, changes in net assets, and cash flows, for the year then ended, in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Basis of Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

E.M. Simon CPA

June 9, 2026
Waterloo, ON

E.M. Simon CPA Professional Corporation

Authorized to practise public accounting by the Chartered Professional Accountants of Ontario
22 King Street South, suite #300, Waterloo, ON N2J 1N8
simon@simoncorp.ca Ph. (519) 744-1650

**HOUSE OF FRIENDSHIP
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2026**

(with comparative figures as at March 31, 2025)
(the accompanying notes are an integral part of the financial statements)

	2026				2025					
	Operating Fund	Capital Fund	Reserve Funds (note 2)	Friendship Fund (note 8)	Total	Operating Fund	Capital Fund	Reserve Funds (note 2)	Friendship Fund (note 8)	Total
ASSETS										
CURRENT										
Cash and cash equivalents	3,229,929	10,105,616	1,036,700	35	14,372,280	4,515,495	11,386,660	514,927	-	16,417,082
Accounts receivable	682,791	2,109,181	7,562	-	2,799,534	227,660	151,978	11,695	4,415	395,748
Prepaid expenses	147,299	-	-	-	147,299	120,548	-	-	-	120,548
Investments (note 2)	-	3,564,429	482,841	1,025,092	5,072,362	-	4,371,681	513,400	913,886	5,798,967
	4,060,019	15,779,226	1,527,103	1,025,127	22,391,475	4,863,703	15,910,319	1,040,022	918,301	22,732,345
LONG-TERM										
Investments (note 2)	-	1,850,000	106,000	-	1,956,000	-	600,000	50,000	-	650,000
Property and equipment (note 3)	-	57,837,832	-	-	57,837,832	-	40,879,859	-	-	40,879,859
	-	59,687,832	106,000	-	59,793,832	-	41,479,859	50,000	-	41,529,859
	\$4,060,019	\$75,467,058	\$1,633,103	\$1,025,127	\$82,185,307	\$4,863,703	\$57,390,178	\$1,090,022	\$918,301	\$64,262,204
LIABILITIES										
CURRENT										
Accounts payable	1,613,775	5,904,174	-	-	7,517,949	2,048,026	400,186	-	-	2,448,212
Government remittance payable	264,124	-	-	-	264,124	239,383	-	-	-	239,383
Deferred income (note 4)	1,565,523	-	-	-	1,565,523	2,111,593	-	-	-	2,111,593
Current long-term debt (note 5)	-	294,060	-	-	294,060	-	2,614,971	-	-	2,614,971
	3,443,422	6,198,234	-	-	9,641,656	4,399,002	3,015,157	-	-	7,414,159
LONG-TERM (note 5)	-	35,249,381	-	-	35,249,381	-	23,325,369	-	-	23,325,369
TOTAL LIABILITIES	3,443,422	41,447,615	-	-	44,891,037	4,399,002	26,340,526	-	-	30,739,528
NET ASSETS										
Unrestricted	616,597	-	-	-	616,597	464,701	-	-	-	464,701
Externally restricted (note 10)	-	2,103,827	271,527	-	2,375,354	-	8,508,662	242,705	-	8,751,367
Internally restricted (note 10)	-	9,621,225	1,361,576	1,025,127	12,007,928	-	7,601,471	847,317	918,301	9,367,089
Invested in property and equipment	-	22,294,391	-	-	22,294,391	-	14,939,519	-	-	14,939,519
	616,597	34,019,443	1,633,103	1,025,127	37,294,270	464,701	31,049,652	1,090,022	918,301	33,522,676
	\$4,060,019	\$75,467,058	\$1,633,103	\$1,025,127	\$82,185,307	\$4,863,703	\$57,390,178	\$1,090,022	\$918,301	\$64,262,204

**HOUSE OF FRIENDSHIP
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2026**

(with comparative figures for the year ended March 31, 2025)
(the accompanying notes are an integral part of the financial statements)

	2026				2025					
	Operating Fund	Capital Fund	Reserve Funds	Friendship Fund	Total	Operating Fund	Capital Fund	Reserve Funds	Friendship Fund	Total
REVENUES										
Donations - general, designated and events	3,912,210	200,000	-	-	4,112,210	4,083,525	100,000	-	-	4,183,525
Donations - project-specific	30,158	1,171,011	-	-	1,201,169	165,939	3,927,309	-	-	4,093,248
Regional government	6,397,378	262,104	53,676	-	6,713,158	6,196,966	285,219	52,128	-	6,534,313
Municipal governments	275,650	250,000	-	-	525,650	269,987	250,000	-	-	519,987
Provincial government	8,741,797	44,552	-	-	8,786,349	8,742,006	39,023	-	-	8,781,029
Federal government	728,932	122,235	-	-	851,167	57,194	122,235	-	-	179,429
Client income	261,496	-	-	-	261,496	273,904	-	-	-	273,904
Other grants and income	4,606,516	-	-	-	4,606,516	2,324,193	78,959	-	-	2,403,152
Investment income (loss)	124,440	441,013	29,278	136,826	731,557	268,325	346,732	32,060	42,630	689,747
Bequests	405,738	-	-	-	405,738	466,896	-	-	-	466,896
	25,484,315	2,490,915	82,954	136,826	28,195,010	22,848,935	5,149,477	84,188	42,630	28,125,230
EXPENSES										
Salaries, benefits, contract labour	18,059,428	20,392	-	-	18,079,820	16,904,196	-	-	-	16,904,196
Client services	1,339,332	-	-	-	1,339,332	1,324,050	-	-	-	1,324,050
Vehicle	95,127	17,340	-	-	112,467	89,593	17,340	-	-	106,933
Facilities	2,688,815	68,922	-	-	2,757,737	2,749,124	49,441	-	-	2,798,565
Office, administration, special projects	822,213	6,845	-	-	829,058	769,892	72,862	-	-	842,754
Professional fees	318,636	21,334	-	-	339,970	248,070	7,167	-	-	255,237
Amortization	-	965,032	-	-	965,032	-	961,639	-	-	961,639
	23,323,551	1,099,865	-	-	24,423,416	22,084,925	1,108,449	-	-	23,193,374
EXCESS FROM OPERATIONS	2,160,764	1,391,050	82,954	136,826	3,771,594	764,010	4,041,028	84,188	42,630	4,931,856
INTERFUND TRANSFERS (note 9)										
Programs and projects - budgeted	146,870	(76,997)	(39,873)	(30,000)	-	200,704	(115,246)	(55,458)	(30,000)	-
Reserve funding and transfers	(500,000)	-	500,000	-	-	(400,000)	-	400,000	-	-
Bequests	(405,738)	405,738	-	-	-	(466,896)	466,896	-	-	-
Future capital projects	(1,250,000)	1,250,000	-	-	-	-	-	-	-	-
	151,896	2,969,791	543,081	106,826	3,771,594	97,818	4,392,678	428,730	12,630	4,931,856
CHANGE IN NET ASSETS										
NET ASSETS - opening	464,701	31,049,652	1,090,022	918,301	33,522,676	366,883	26,656,974	661,292	905,671	28,590,820
NET ASSETS - closing	\$616,597	\$34,019,443	\$1,633,103	\$1,025,127	\$37,294,270	\$464,701	\$31,049,652	\$1,090,022	\$918,301	\$33,522,676

HOUSE OF FRIENDSHIP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2026

(with comparative figures for the year ended March 31, 2025)
 (the accompanying notes are an integral part of the financial statements)

	2026			2025						
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Reserve Funds</u>	<u>Friendship Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Reserve Funds</u>	<u>Friendship Fund</u>	<u>Total</u>
SOURCES (USES) OF CASH:										
OPERATING ACTIVITIES										
Excess (deficit) for the year	2,160,764	1,391,050	82,954	136,826	3,771,594	764,010	4,041,028	84,188	42,630	4,931,856
Items not affecting cash:										
Amortization	-	965,032	-	-	965,032	-	961,639	-	-	961,639
Forgivable loans forgiven	-	(122,235)	-	-	(122,235)	-	(122,235)	-	-	(122,235)
Change in accounts receivable	(455,131)	(1,957,203)	4,133	4,415	(2,403,786)	261,412	58,422	(969)	1,468	320,333
Change in prepaid expenses	(26,751)	-	-	-	(26,751)	(5,241)	-	-	-	(5,241)
Change in accounts payable	(409,510)	5,503,988	-	-	5,094,478	723,754	138,637	-	-	862,391
Change in deferred income	(546,070)	-	-	-	(546,070)	64,120	-	-	-	64,120
	723,302	5,780,632	87,087	141,241	6,732,262	1,808,055	5,077,491	83,219	44,098	7,012,863
INVESTING ACTIVITIES										
Investments purchased	-	(4,123,993)	(358,995)	(939,523)	(5,422,511)	-	(1,689,154)	(396,943)	(264,098)	(2,350,195)
Investments matured or liquidated	-	3,681,244	333,554	828,317	4,843,115	-	2,600,000	369,657	250,000	3,219,657
Property and equipment purchased	-	(17,923,004)	-	-	(17,923,004)	-	(4,533,142)	-	-	(4,533,142)
	-	(18,365,753)	(25,441)	(111,206)	(18,502,400)	-	(3,622,296)	(27,286)	(14,098)	(3,663,680)
FINANCING ACTIVITIES										
Transfers from (to) other funds	(2,008,868)	1,578,741	460,127	(30,000)	-	(666,192)	351,650	344,542	(30,000)	-
Long-term debt obtained	-	11,231,992	-	-	11,231,992	-	-	-	-	-
Long-term debt repaid	-	(1,506,656)	-	-	(1,506,656)	-	(324,242)	-	-	(324,242)
	(2,008,868)	11,304,077	460,127	(30,000)	9,725,336	(666,192)	27,408	344,542	(30,000)	(324,242)
CHANGE FOR THE YEAR	(1,285,566)	(1,281,044)	521,773	35	(2,044,802)	1,141,863	1,482,603	400,475	-	3,024,941
CASH AND CASH EQUIVALENTS - opening	4,515,495	11,386,660	514,927	-	16,417,082	3,373,632	9,904,057	114,452	-	13,392,141
CASH AND CASH EQUIVALENTS - closing	\$3,229,929	\$10,105,616	\$1,036,700	\$35	\$14,372,280	\$4,515,495	\$11,386,660	\$514,927	\$0	\$16,417,082

HOUSE OF FRIENDSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2026

STATUS AND NATURE OF ACTIVITIES

Founded in 1939, House of Friendship (the organization) serves Waterloo Region with a vision to build a healthy community where everyone can belong and thrive. Each year, House of Friendship walks with more than 42,000 individuals and families who need food, housing, addiction treatment, or access to vital community resources. House of Friendship is incorporated without share capital, and as a registered charity, is exempt from income tax.

1. ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared using Canadian Accounting Standards for Not-for-profit Organizations.

Fund Accounting

House of Friendship uses fund accounting to maintain its accounting records. Fund accounting comprises the collective accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions.

Operating Fund - This fund reflects the assets, liabilities, revenues and expenses related to program delivery and administrative activities.

Capital Fund - This fund reflects the assets, liabilities, revenues and expenses restricted either by external parties (externally restricted) or by the Board (internally restricted) for the acquisition, construction and maintenance of property and equipment. The Board has a policy of transferring unrestricted bequests to the Capital Fund.

Reserve Funds - These reserves were established to accumulate funds to finance expected future capital maintenance costs at the respective properties. Contributions to and disbursements from the Eby Village reserve are governed by specific funding agreements for that property. Contributions to and disbursements from the remaining reserves are made at the Board's discretion.

Friendship Fund - These funds have both a Revocable and an Irrevocable component. The terms of the Irrevocable portion of the trust restrict access to the capital until the trust agreement is terminated or ten years has elapsed for any contribution to the fund, at which point the House of Friendship may direct payment of the capital remaining in the fund to the charity of its choice. The assets held in the Irrevocable portion of the fund at the end of the fiscal year, are not reflected on the statement of financial position because access to the assets is substantially restricted. The assets reflected on the statement of financial position represent only the assets held in the Revocable component of the fund. Income earned by both the Irrevocable and the Revocable components of this fund are received annually and used as needed to support community outreach programs.

Revenue recognition

House of Friendship uses the restricted fund method of accounting for restricted contributions, whereby contributions designated to non-operating funds are reflected as income when received or receivable, and to the extent they are unexpended, reflected as restricted net assets on the statement of financial position. Restricted contributions received or receivable by the Operating Fund are reflected as deferred income until spent as designated. When the Operating Fund receives contributions that are restricted with respect to a program and to a particular time period, the restricted funding is recognized in the designated time period, to the extent expended. When the Operating Fund receives contributions that are restricted with respect to a program but not to a particular time period, the contributions are transferred from deferred income and recognized as income to the extent expended after management's review of the program's other potential sources of funding for the program's expenditures, such as general donations or surpluses from prior years. Donations-in-kind of capital items are recognized as revenue at fair value when determinable, however, donations of food and other program supplies and services are not reflected as revenue, because it is impractical to determine a monetary value.

HOUSE OF FRIENDSHIP
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

1. ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in bank accounts, plus investments with terms of 90 days or less.

Property and equipment

Property and equipment are reflected at cost, which is amortized at the following annual rates:

Buildings	over 40 years, calculated on a straight-line basis
Furniture and equipment	over 5 years, calculated on a straight-line basis
Vehicles	over 7 years, calculated on a straight-line basis

Financial instruments

A financial instrument is a contract that creates a financial asset for one entity and a financial liability or equity instrument of another. Financial assets and liabilities are initially measured at fair value, except for non-arm's length transactions, if any. The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments with quoted fair values in an active market, if any, which are measured at fair value. Changes in fair value are recognized in net income. Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized on the statement of operations and changes in net assets. Any previously recognized impairment losses may be reversed and reflected as income to the extent of improvement. Transaction costs are recognized in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. FINANCIAL INSTRUMENTS

	<u>2026</u>	<u>2025</u>
Financial assets:		
Investments		
Equity investments (reflected at fair values)	3,884,862	2,772,863
Fixed term securities at rates between 3.6% and 5.6% (reflected at amortized cost)	1,187,500	3,026,104
<u>Investments reflected as current assets</u>	<u>5,072,362</u>	<u>5,798,967</u>
Cash and fixed term securities at rates between 3.25% and 4.55%:		
Maturing in the forthcoming fiscal year +1	1,635,000	350,000
Maturing in the forthcoming fiscal year +2	321,000	300,000
<u>Investments reflected as long-term assets (reflected at amortized cost)</u>	<u>1,956,000</u>	<u>650,000</u>
Other financial assets (cash and accounts receivable - reflected at amortized cost)	15,116,933	16,556,912
<u>Total financial assets</u>	<u>\$22,145,295</u>	<u>\$23,005,879</u>

As in the prior year, management believes the organization does face some interest rate and market risk with respect to its investments, in that, changes in market interest rates and changes in equity markets could impact the value of investments held by the organization. As in the prior year, management believes it does not face any significant credit, currency or liquidity risk with respect to its financial instruments.

	<u>Opening</u> <u>Balance</u>	<u>Income</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Closing</u> <u>Balance</u>
Externally restricted:					
Eby Village	242,705	68,695	-	(39,873)	271,527
Internally restricted:					
Shelter	596,961	6,000	500,000	-	1,102,961
Charles Village	153,165	5,352	-	-	158,517
Ann Street	97,191	2,907	-	-	100,098
	<u>847,317</u>	<u>14,259</u>	<u>500,000</u>	<u>-</u>	<u>1,361,576</u>
<u>Closing Balance</u>	<u>\$1,090,022</u>	<u>\$82,954</u>	<u>\$500,000</u>	<u>(\$39,873)</u>	<u>\$1,633,103</u>

HOUSE OF FRIENDSHIP
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

3. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>2026</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2025</u> <u>Net Book</u> <u>Value</u>
Land:				
- 190 Weber St. N. Waterloo	1,709,265	-	1,709,265	1,709,265
- 75 Charles St. E., Kitchener	76,367	-	76,367	76,367
- 50 Eby St., Kitchener	1,000,849	-	1,000,849	1,000,849
- 807 Guelph St., Kitchener	66,283	-	66,283	66,283
- 71 Ann St., Kitchener	400,000	-	400,000	400,000
- 562 Concession Rd., Cambridge	480,000	-	480,000	480,000
- Friendship Village (see note 6)	3,060,311	-	3,060,311	3,060,311
	<u>6,793,075</u>	<u>-</u>	<u>6,793,075</u>	<u>6,793,075</u>
Buildings:				
- 190 Weber St. N. Waterloo	22,683,089	1,975,438	20,707,651	21,274,728
- 75 Charles St. E., Kitchener	2,433,578	1,478,881	954,697	1,015,536
- 50 Eby St., Kitchener	3,094,542	2,483,263	611,279	688,643
- 807 Guelph St., Kitchener	1,038,288	372,543	665,745	691,702
- 71 Ann St., Kitchener	2,063,914	682,659	1,381,255	1,432,852
- 562 Concession Rd., Cambridge	4,676,553	642,818	4,033,735	4,150,648
- Friendship Village * (see note 6)	22,426,136	-	22,426,136	4,503,132
	<u>58,416,100</u>	<u>7,635,602</u>	<u>50,780,498</u>	<u>33,757,241</u>
Furniture and equipment	460,932	233,201	227,731	283,144
Vehicles	95,742	59,214	36,528	46,399
	<u>\$65,765,849</u>	<u>\$7,928,017</u>	<u>\$57,837,832</u>	<u>\$40,879,859</u>

* in progress, therefore no amortization in the current year

4. SERVICE CONTRACTS AND DESIGNATED FUNDING

House of Friendship has service contracts with the Region of Waterloo, the Ministry of Health and Long-Term Care, and the Ministry of Children, Community and Social Services. One requirement of the contracts is the production by management of annual financial statements, which disclose a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the contract. Any surpluses are reflected as Deferred Income on the Operating Fund Balance Sheet. In addition, the House of Friendship receives donations which are designated for specific programs. These funds are also reflected as deferred income until spent as designated.

Service contracts and related deferred balances:	<u>Opening</u> <u>Deferral</u>	<u>Funds</u> <u>Received</u>	<u>Funds</u> <u>Spent</u>	<u>Closing</u> <u>Deferral</u>
Region of Waterloo	493,010	6,561,485	6,713,158	341,337
Municipal	37,499	525,650	525,650	37,499
Province	1,056,538	8,446,324	8,786,349	716,513
Other designated donations and grants	524,546	4,782,302	4,836,674	470,174
	<u>\$2,111,593</u>	<u>\$20,315,761</u>	<u>\$20,861,831</u>	<u>\$1,565,523</u>

HOUSE OF FRIENDSHIP
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

5. LONG-TERM DEBT

	<u>2026</u> <u>Interest</u> <u>paid</u>	<u>2025</u> <u>Interest</u> <u>paid</u>	<u>2026</u> <u>Balance</u>	<u>2025</u> <u>Balance</u>
Mortgages payable:				
Eby Village - 1.74%, \$18,469 principal and interest monthly, due October 2025	744	4,275	-	128,537
Ann St. - 4.41%, \$3,265 principal and interest monthly, due January 2029	25,287	20,329	361,237	380,515
Concession Rd. - 4.41%, \$4,792 principal and interest monthly, due October 2028	39,298	48,238	656,513	681,786
Weber St. - 3.19% first mortgage, \$39,460 principal and interest due monthly, due March 2033.	371,607	405,649	11,670,464	11,804,032
Community bonds:				
Concession Rd. - 4%, interest only payable annually, principal due April 2025	4,000	48,000	-	1,200,000
	440,936	526,491	12,688,214	14,194,870
Forgivable Loans:				
Province of Ontario - Ministry of Municipal Affairs and Housing - Charles Village			593,000	593,000
Province of Ontario - Ministry of Municipal Affairs and Housing - Weber St., Waterloo			2,200,235	2,322,470
Regional Municipality of Waterloo - Weber St., Waterloo			8,500,000	8,500,000
Regional Municipality of Waterloo - Charles Village			330,000	330,000
CMHC - Friendship Village			11,231,992	-
			35,543,441	25,940,340
Current portion of long-term debt			294,060	2,614,971
Long-term debt due beyond one year			\$35,249,381	\$23,325,369

In 2004 the Province of Ontario - Ministry of Municipal Affairs and Housing and the Regional Municipality of Waterloo provided forgivable loans of \$593,000 and \$330,000 respectively, to fund the construction of the buildings known as Charles Village. Interest payments are forgiven annually, and principal repayment will be forgiven in 2026, provided House of Friendship complies with the terms of an agreement with the Ministry which defines the nature of the affordable housing to be provided. Principal and interest, calculated at the higher of the current prime rate for a five-year commercial mortgage plus 2% and the interest rate of the first mortgage plus 2%, may be demanded by the Ministry, if the terms of the agreement with the Ministry are not met. The loans are secured by a mortgage on the real estate and chattels, and an assignment of rents and insurance.

In 2022 a forgivable loan of \$8,500,000 was received from the Region of Waterloo to fund the purchase and renovation of a hotel in Waterloo. The amount of the loan is to be forgiven in December 2031, provided House of Friendship complies with the terms of the loan agreement, which stipulates that the property must be used continuously as a hotel for individuals experiencing homeless for the entire term of the loan. Should House of Friendship default with respect to any provisions of the loan agreement, interest, calculated at prime plus two percent from the inception of the loan, plus the outstanding principal, must be paid to the Region of Waterloo. This loan is secured by a \$8,500,000 third mortgage on the property, an assignment of rents, a general security agreement, insurance, and a number of guarantees provided by House of Friendship.

In 2023 and 2024, House of Friendship received mortgage financing from Canada Mortgage and Housing Corporation's National Housing Co-Investment Fund, to fund the purchase and renovation of a hotel in Waterloo. The funding consisted of a \$2,444,705 forgivable portion, which is forgiven in equal amounts annually over twenty years beginning in the 2025 fiscal year, provided House of Friendship complies with the terms of the loan agreement. The funding also has a repayable portion as noted above. The financing is secured by a first collateral mortgage on House of Friendship's Weber St. property equal to 120% of the loans, a general security agreement, an Operating Agreement, a first priority general assignment of rents, an assignment of contracts and all insurance policies respecting the project, and a postponement agreement from the Region of Waterloo respecting the project lands.

HOUSE OF FRIENDSHIP
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

5. LONG-TERM DEBT (continued)

In the current fiscal year, House of Friendship entered into a loan agreement with CMHC with respect to the construction of Friendship Village. The loan consists of a repayable portion and a forgivable portion, and is secured by a first mortgage on the respective real estate equal to 120% of the aggregate amount of the loans, an assignment of leasehold interests, an assignment of rents and leases, a general security agreement, an assignment of contracts, and a joint and several guarantee. Forgiveness of the forgivable portion of the loan occurs annually in equal amounts over twenty years commencing with occupation of the building, provided House of Friendship complies with all conditions of the loan agreement. Should House of Friendship default on any of the conditions of the loan agreement, the full balance of the forgivable portion of the loan is payable on demand, and CMHC may, at its discretion, also charge interest at 5% per annum, on the unpaid balance. The repayable portion of the loan, which is expected to be \$9,549,102 upon completion of construction, is expected to bear interest at a maximum 'threshold' rate of 4.53%, and require monthly principal and interest payments based the agreed amortization period of 50 years, with the loan term scheduled to be renewed ten years after its commencement.

All mortgages payable are secured by a first, second or third mortgages on the respective real estate.

Projected principal repayments and forgiveness, of long-term debt, given current terms and conditions:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Forgiveness</u>	<u>Total</u>
2027	171,825	122,235	294,060
2028	178,399	1,606,835	1,785,234
2029	1,000,505	683,835	1,684,340
2030	118,206	683,835	802,041
2031 and thereafter	11,219,279	19,758,487	30,977,766
	<u>\$12,688,214</u>	<u>\$22,855,227</u>	<u>\$35,543,441</u>

6. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

Credit Facilities

House of Friendship has a line of credit available to a maximum of \$200,000 through the Kindred Credit Union, which bears interest at prime and is secured by investments. The credit facility was not used during the current or the prior fiscal year, and there was no balance outstanding at the end of either fiscal.

Contractual Obligations

In the prior fiscal year, House of Friendship began construction of Friendship Village. The initial phase involved demolition of some existing properties to accommodate construction of new facilities. The project is expected to cost approximately \$41 million and is projected to be completed in November 2026. House of Friendship has entered into a loan agreement with CMHC as described in the Long-term Debt note above, which will fund \$22.65 million of the construction costs, with the remainder to be funded through fundraising and loans from other levels of government.

House of Friendship has a lease commitment with respect to its administrative offices, which expires in April 2027, and which requires monthly base rent payments of \$4,499, plus a share of common element costs which approximate \$5,820 monthly.

In the 2011 fiscal year, House of Friendship entered into an agreement with the Region of Waterloo for a renovation grant with respect to its Eby Street housing program which requires the organization to continue to operate the program as an affordable housing project for twenty years subsequent to receipt of the grant.

HOUSE OF FRIENDSHIP
NOTES TO THE FINANCIAL STATEMENTS
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7. ECONOMIC DEPENDENCE

House of Friendship receives a significant portion of its funding for several programs from various levels of government. The continuance of many of the organization's programs in their present form is dependent on continued funding from these or similar entities.

8. FRIENDSHIP FUND

	<u>2026</u>	<u>2025</u>
Revocable component	1,025,127	918,301
Irrevocable component	217,722	214,143
	<u>\$1,242,849</u>	<u>\$1,132,444</u>

See note 1 for an explanation of revocable versus irrevocable

9. INTERFUND TRANSFERS

Programs and projects - budgeted - reflect Board approved transfers to fund expenditures in various Operating Fund programs and projects.

Reserve funding - reflect discretionary funds transferred to finance current and future significant facility costs.

Bequests - House of Friendship has a policy of transferring unrestricted bequests to the Capital Fund to fund future capital costs.

Future capital projects - reflect Board approved transfers to the Capital Fund to fund current and/or future capital projects.

10. RESTRICTED NET ASSETS

Externally restricted net assets represent assets on hand, the use of which has been restricted by third parties. Externally restricted assets in the Capital Fund represent unspent donations and grants which were designated for capital related expenditures. Externally restricted net assets in the Reserve Fund represent cash and investments which have accumulated in compliance with agreements with funders, and are to be used to fund capital related maintenance at the Eby Village property.

Internally restricted net assets represent net assets, the use of which has been restricted by the Board of Directors. Internally restricted net assets in the Capital Fund represents funds that have been set aside by the Board, along with accumulated investment income, for capital related projects. Internally restricted net assets in the Reserve Fund represent cash and investments that have been designated to fund capital related costs at the Charles Village, Ann Street and shelter properties. Internally restricted investments held in the Friendship Fund generate income to be used to support community outreach programs..

HOUSE OF FRIENDSHIP
NOTES TO THE FINANCIAL STATEMENTS
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ADDITIONAL DISCLOSURES

The following disclosures have been requested by the funders noted, but are not required for fair presentation of the financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations

REGION OF WATERLOO

Rental charges:

Funding agreements with the Region of Waterloo require the following disclosure with respect to the Eby Village program:

	<u>Eby Village</u>	<u>Charles Village</u>
Gross rental charges	695,097	232,685
Rent-geared-to-income subsidy	(399,327)	(101,211)
Vacancy gain (loss)	(25,904)	(11,700)
Net rental charges	\$269,866	\$119,774

Cash and investments held in the Reserve Fund:

Eby Village

	<u>2026</u>	<u>2025</u>
Cash	78,342	64,540
Encasa Canadian Short-term Bond Fund	193,185	178,165
	\$271,527	\$242,705

MUNICIPAL FUNDING

	<u>2026</u>	<u>2025</u>
City of Kitchener		
Purchase of services	225,650	219,987
Affordable Housing Incentive Program	250,000	250,000
City of Waterloo		
Purchase of services	50,000	50,000
	\$525,650	\$519,987