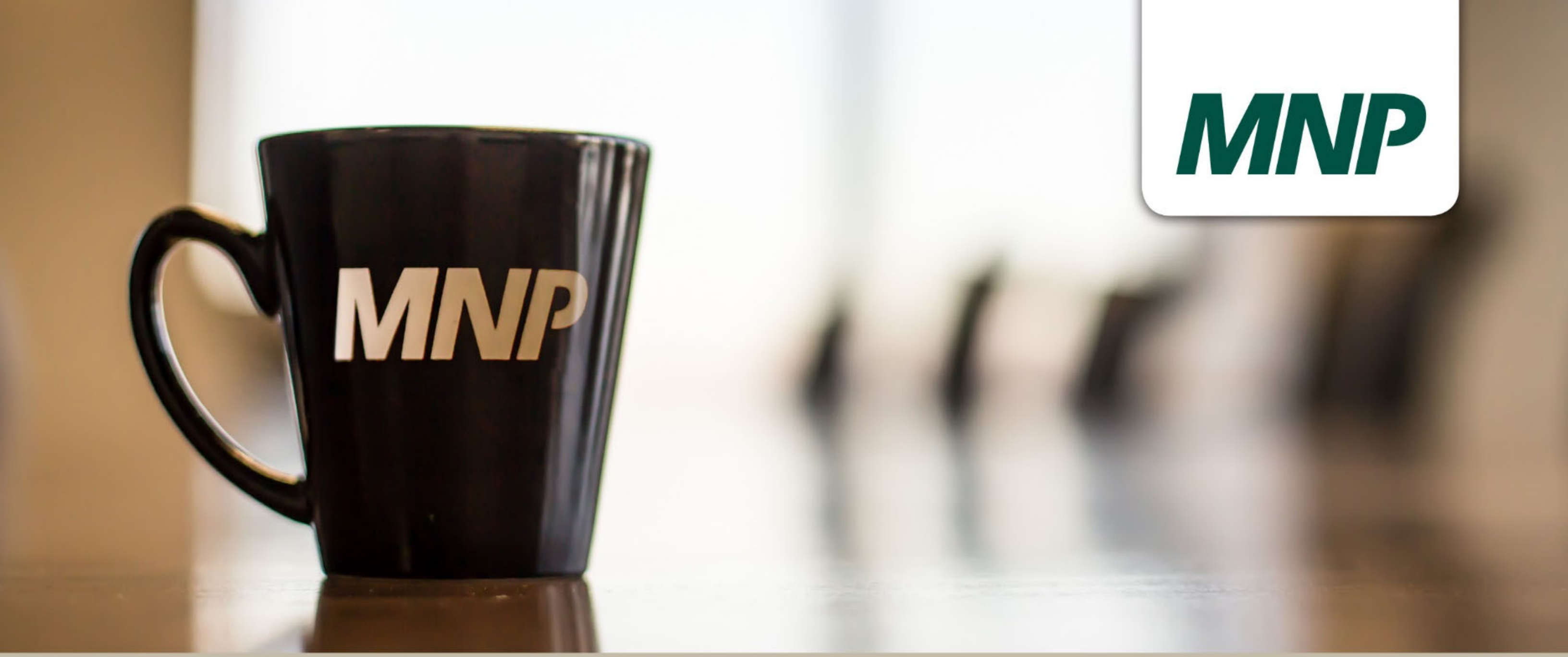

Fairview Mennonite Homes and Parkwood Mennonite Home

Year-end communication

May 27, 2021

PRAXITY™ Empowering Business Globally

KINCENTRIC› Best Employer CANADA 2019

May 27, 2021

MNP LLP

May 27, 2021

Private and confidential

To the Chair and directors of the Board of Directors of
Fairview Mennonite Homes and Parkwood Mennonite Home

Dear Directors,

Report on audited annual financial statements

We have performed audits of the financial statements of Fairview Mennonite Homes and Parkwood Mennonite Home ("Homes") as of and for the year ended March 31, 2021, in accordance with Canadian generally accepted auditing standards ("GAAS") and expect to issue our audit reports thereon upon approval of the draft financial statements by the Board of Directors.

This report summarizes our findings during the audits.

Use of our report

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

We would like to express our appreciation for the cooperation we received from the employees of the Homes with whom we worked to discharge our responsibilities.

We look forward to discussing this report summarizing the outcome of our audits with you and answering any questions you may have.

Yours very truly,

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Table of contents

Audit scope and findings

This report summarizes the main findings arising from our audits.

Audit scope matters	
Audit strategy and scope	The audit planning and the preliminary risk assessment activities we conduct enable us to set the scope of our audits and to design procedures tailored to that scope.
Materiality	Materiality is the magnitude of misstatements, including omissions, in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the financial statement users. Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the information needs of the financial statement users, and by the size or nature of a misstatement, or a combination of both. We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement. Canadian GAAS require that we determine performance materiality for purposes of assessing the risks of material misstatement of the financial statements and determining the nature, timing, and extent of our audit procedures. Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated, and leaves no margin for possible undetected misstatements. Performance materiality is set at a lower level than materiality, so that if misstatements are detected, we may nevertheless be able to conclude with reasonable assurance that the uncorrected misstatements both in individually and in aggregate do not exceed materiality. Materiality levels are determined on the basis of normalized revenues. Our determination of materiality for the Homes for the year ending March 31, 2021 is $320,000 (2020 – $320,000). We have informed The Board of all uncorrected misstatements greater than a clearly trivial amount of $16,000 and any misstatements that are, in our judgment, qualitatively material.
Audit risks	In accordance with our audit plan, our procedures focused on the following areas that we identified as risks of material misstatement: • Revenue; • Accounts payable and accrued liabilities; • Management override of controls; • Capital assets; • Right to occupy agreements; and • Net assets. We have summarized the results of our audit procedures for each of these risk areas on page 3 of this report.
Status of our audit	The following procedures remain outstanding as of the date of this report: • Receipt of signed management's representations letter; • Minor documentation items; and • Approval of the financial statements at the Board Meeting May 27, 2021.
Significant difficulties encountered in performing the audit	We did not encounter any significant difficulties while performing the audit. There were no significant delays in receiving information from management required for the audit nor was there an unnecessarily brief timeline in which to complete the audit.

Audit scope matters	
Audit results	In accordance with Canadian GAAS, our audit is designed to enable us to express an opinion on the fairness of the presentation of the Homes' annual financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").
Fraud and illegal acts	None noted.
Significant events	As part of our audit process, we did not identify any significant events outside of the normal course of operations other than those disclosed in the financial statements related to COVID 19.
Related party transactions	None noted outside of the normal course of operations.
Significant accounting policies	In the course of our audit of the financial statements, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. The Homes' significant accounting policies are set forth in Note 2 to the March 31, 2021 financial statements.
Management judgment and accounting estimates	Significant accounting estimates reflected in the financial statements include accrued liabilities, right to occupy liability, the useful lives of capital assets, provision for doubtful accounts in respect of receivables, and the fair value of certain financial instruments. We are satisfied with the estimates made by management.
Audit adjustments and uncorrected misstatements	In accordance with Canadian GAAS, we request that all misstatements be corrected.

Audit adjustments (Fairview Mennonite Home)

	Assets Dr(Cr)	Liabilities Dr(Cr)	Net assets Dr(Cr)	Stmt. of operations Dr(Cr)
Correction of revenue recognized		(160,800)		160,800
Total	**0**	**(160,800)**	**0**	**160,800**

Audit adjustments (Parkwood Mennonite Home)

	Assets Dr(Cr)	Liabilities Dr(Cr)	Net assets Dr(Cr)	Stmt. of operations Dr(Cr)
Correction of accounts receivable for high intensity supplies	55,377	(55,377)		
Total	**55,377**	**(55,377)**	**0**	**0**

Adjusted and unadjusted disclosure deficiencies	In accordance with Canadian GAAS, we request that all disclosure deficiencies be corrected.

Disclosure items passed (Fairview Mennonite Home and Parkwood Mennonite Home)

Description of omitted or unclear disclosure	Authoritative literature reference
Unrealized gains are not separately disclosed on the statement of cash flows as the information is not readily available.	ASNPO 4400.46

Disagreements with	None.

Audit scope matters	
management	
Consultation with other accountants	Management has informed us that the Homes have not consulted with other accountants about auditing or accounting matters.
Legal and regulatory compliance	Our limited procedures did not identify any areas of material non-compliance with the laws and regulations by the Homes.
Post-balance sheet events	No significant post-balance sheet events have been identified.
Representations letter	A draft version of the representation letters to be signed by management is included in Appendix 2.
Conclusion	No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested. We intend to issue a modified audit report on the financial statements of the Homes for the year ended March 31, 2021 once the outstanding items referred to above are satisfactorily completed and the financial statements are approved. Consistent with prior years, the modification in the audit reports relates to the inability to obtain sufficient audit evidence related to the completeness of donation revenue.
Other matters	
COVID-19 considerations	On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (“COVID-19”) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. It is not possible to reliably estimate the duration and impact of this global event or the impact on the financial results and condition of the Organization in future periods. The financial impact in the current fiscal year directly attributable to COVID-19, resulted in funding revenue of $1,310,092 (Fairview) and $1,364,865 (Parkwood). This helped to offset the additional expenditures which were incurred. Due to the underlying nature of funding support, Retirement Home operations were impacted most significantly by additional expenditures related to COVID-19. Please refer to Note 13 (Fairview Mennonite Homes) and Note 12 (Parkwood Mennonite Home) in the financial statements for additional note disclosure relating to this event.
Independence	We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level. As required under GAAS, we report all relationships and other relevant matters that, in our professional judgment, may reasonably be thought to bear on our independence and confirmed our independence. No issues have been identified impacting our independence.

Fees	We communicated our proposed audit fees in our formal audit proposal. There were no changes to our proposed standard fee – $27,300 in 2021. Out-of-scope fees will be negotiated with management as required.

The following table summarizes internal control and other recommendations noted during the current year audit:

Observation	Recommendation
During our discussion with management, it was determined that the fixed asset listing is not updated for disposed assets.	We recommend completing a fixed asset count to determine active fixed assets, and remove anything from the continuity schedule which have been disposed. It is a best practice that a fixed asset count be completed regularly based on an agreed upon schedule.

The following table provides an update to the prior year internal control and other recommendations:

Observation	Recommendation	Current Year Update
During our discussion with management, it was noted that requirements for changing passwords are not consistent with industry standards.	We recommend implementing a policy requiring employees to change passwords every 90 days.	We noted that management has implemented a password policy to change passwords quarterly, as recommended.

Audit risks

Our audit plan identified certain areas that we refer to as risks of material misstatement. The results of our audit work on these risks are set out below:

Areas of risk	Our audit response	Our conclusion
Revenue recognition Occurrence, cut-off and accuracy of long-term care revenue and rental revenue. For fiscal 2021, occurrence, cut-off and accuracy of COVID-19 related funding streams.	We performed tests of details and analytical procedures to determine that the amount and timing of revenue recognition has been appropriately reflected in the general ledger. We read funding letters and agreements associated with the COVID-19 funding revenue streams. We tested the underlying data to support the revenue recognition.	Results were satisfactory for audit purposes. One corrected misstatement noted on page 2.
Accounts payable and accrued liabilities Completeness and accuracy of accounts payable and accrued liabilities, including contingent liabilities.	We tested disbursements subsequent to year-end to determine the reasonableness of accounts payable and accrued liabilities. We tested the supporting assumptions and underlying data for accruals. We tested the outcome of prior year estimates and accruals. We made inquiries of management related to the existence of contingent liabilities and issued letters to legal counsel related to outstanding legal issues. We assessed the reasonableness of recording and/or disclosure in the financial statements related to contingent liabilities.	Results were satisfactory for audit purposes.
Management override of controls We presume a risk of misstatement due to fraud related to management override of controls. Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We examined the appropriateness of manual journal entries approved by management. We tested significant estimates and unusual transactions to ensure that assumptions were reasonable and appropriately supported.	Based on our testing we did not identify any issues surrounding management override of controls.

Areas of risk	Our audit response	Our conclusion
Capital assets The existence and accurate recording of new capital assets and depreciation.	We tested the entity prepared capital asset continuity schedule for accuracy. Additions for the year were agreed to supporting documentation on a test basis to ensure they were properly recorded in the financial records. Depreciation was re-calculated in accordance with depreciation rates.	Results were satisfactory.
Right to Occupy agreements The accurate recording of the Right to Occupy agreements.	We examined the appropriateness of the accounting treatment in accordance with ASNPO. No new agreements sold during the current year as well as no agreements re-purchased.	Results were satisfactory.
Net assets The accurate classification of net assets between restricted and unrestricted categories.	We tested the current year changes to ensure they were appropriately classified as restricted and unrestricted.	Results were satisfactory.
Administrative office The accurate recording of the lease agreement. The appropriate allocation of administrative expenditures.	We read the lease agreement to ensure the accounting and disclosure was appropriate. We tested the administrative expense allocations between Fairview and Parkwood.	Results were satisfactory.

Appendix 1 – Communication requirements

In accordance with GAAS, we are required to communicate certain items to the Board on a regular basis or as specified events occur. These items are summarized below.

Required communication	Comments
1. Our responsibilities under GAAS.	Engagement Letter dated April 30, 2019.
2. Our audit strategy and scope, including our approach to auditing financial information of components of the group audit and our planned involvement in work performed by component auditors.	Discussed with management prior to commencement of fieldwork as outlined on pages 1 and 3.
3. Management judgment and accounting estimates.	As noted in discussion of audit risks, we evaluated all significant accounting estimates and found them to be reasonable. No indication of management bias was found.
4. Significant accounting policies.	Accounting policies selected by the Homes are reasonable and in line with the applicable accounting framework.
5. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period.	None.
6. Our views about significant qualitative aspects of the Corporation's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.	Accounting policies and estimates were appropriate and in line with the applicable accounting framework.
7. Disagreements with management.	None.
8. Our views about significant matters that were the subject of consultation with other accountants.	None.
9. Major issues discussed with management prior to our retention.	None.
10. Significant difficulties, if any, encountered during the audit.	None.
11. All significant deficiencies in internal control identified during the audit.	None.
12. Material written communications between management and us.	Engagement letter dated April 30, 2019.
13. All relationships between the Homes and us that, in our professional judgment, may reasonably be thought to bear on independence.	None noted.
14. A statement that, in our judgment, our engagement team and others in our firm as appropriate, our firm itself and, when applicable, network firms have complied with relevant ethical requirements regarding independence.	Compliance confirmed.

Required communication	Comments
15. Illegal or possibly illegal acts.	None noted.
16. Fraud or possible fraud identified through the audit process.	None noted.
17. Significant transactions inconsistent with normal course of business, including related party transactions.	None noted.
18. Non-compliance with laws and regulations that come to the auditor’s attention.	None noted.
19. Limitations placed on our scope.	None.
20. Written management representations the auditor is requesting.	Draft management representation letter – Appendix 2.

Appendix 2 – Draft representation letter

May 27, 2021

MNP LLP
3, 139 Northfield Drive W
Waterloo ON N2L 5A6

Subject: Financial statements of Fairview Mennonite Homes for the year ended March 31, 2021

Dear Sirs:

This representation letter is provided in connection with the audit by MNP LLP ("MNP" or "you") of the financial statements of Fairview Mennonite Homes (the "Organization" or "we" or "us"), for the year ended March 31, 2021 and a summary of significant accounting policies (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Organization in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between the Organization and MNP dated April 30, 2019 for the preparation of the Financial Statements in accordance with ASNPO. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Organization as at March 31, 2021 and the results of its operations and cash flows for the year then ended in accordance with ASNPO.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

   In preparing the Financial Statements in accordance with ASNPO, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with ASNPO. The Organization has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with ASNPO and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to March 31, 2021 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. All related party relationships and transactions have been appropriately accounted for and disclosed in the Financial Statements in accordance with the requirements of ASNPO.
4. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
5. We have completed our review of events after March 31, 2021 and up to the date of this letter.
6. The Financial Statements are free of material errors and omissions.

Internal Controls

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
8. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

9. We have provided you with:
   a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
   b. All relevant information as well as additional information that you have requested from us for the purpose of the audit;
   c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and,
   d. All minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.
10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
11. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
12. We have no knowledge of any information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
    a. Management;
    b. Employees who have significant roles in internal control; or
    c. Others where the fraud could have a material effect on the Financial Statements.

13. We have no knowledge of any information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the entity.
14. There have been no communications with regulatory agencies concerning actual or potential non-compliance with or deficiencies in financial reporting practices. There are also no known or possible instances of non-compliance with the requirements of regulatory or governmental authorities.
15. We have complied with all applicable provisions of the laws pertaining to foreign corrupt practices.
16. There are no instances of identified or suspected noncompliance with laws and regulations.
17. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with ASNPO.

Independence matters

For purposes of the following paragraphs, "MNP" shall mean MNP LLP, including related member firms and affiliates.

18. The Organization has not caused MNP's independence to be impaired by hiring or promoting a former or current MNP partner or professional employee in an accounting role or financial reporting oversight role that would cause a violation of the Canadian independence rules or other applicable independence rules. Prior to the Organization having any substantive employment conversations with a former or current MNP engagement team member the Organization has held discussions with MNP and obtained approval from management.
19. We have ensured that all services performed by MNP with respect to this engagement have been pre-approved by those charged with governance in accordance with its established approval policies and procedures.

Other matters

20. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
21. We have disclosed to you, and the Organization has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
22. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.*
23. The Organization has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

Loans and receivables

24. The Organization is responsible for determining the appropriate carrying amount of notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes that the carrying amounts recorded and disclosed are appropriate.

Tangible capital assets

25. Capital assets have been recorded consistently according to the standards in Section 4433, *Tangible Capital Assets Held by Not-for-profit Organizations.*

26. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets to have a long-term service potential to the Organization and therefore do not require a write-down.

Yours truly,

Fairview Mennonite Homes

Brent Martin
Chief Financial Officer

Elaine Shantz
Chief Executive Officer

Appendix 3 – New Accounting Standards for Not-for-Profit Organizations

Topic	Description	Effective Date
Section 4449, Combinations by Not-for-Profit Organizations	Main features of Section 4449 include: • Applicable for combinations involving two or more not-for-profit organizations that are unrelated parties or related parties • Provides a set of criteria to determine when a combination is accounted for as a merger or as an acquisition • Provides guidance on how to account for a merger or an acquisition	• Effective for annual financial statements relating to fiscal years beginning on or after January 1, 2022. Earlier application is permitted.
Section 4460 – Disclosure of related party transactions by not-for-profit organizations	• Clarifies that a not-for-profit organization applies Section 3856, Financial Instruments, in Part II of the Handbook, for the accounting and disclosure of financial instruments in a related party transaction.	• Effective for annual financial statements relating to fiscal years beginning on or after January 1, 2021. Earlier application is permitted.

Joint Project of the Accounting Standards Board and Public Sector Accounting Board

In response to the feedback from private sector stakeholders to the April 2013 AcSB/PSAB Joint Statement of Principles, Improvements to Not-for-Profit Standards, the AcSB has issued Exposure Drafts and has ongoing research projects on a number of topics.

The AcSB has the following research project in progress:

Topic	Description	Status
ASNPO Contributions – Revenue Recognition and Related Matters (Possible amendments to sections 4400, 4410 and 4420)	• researching the recognition of revenue from contributions, as part of addressing the proposals that state: (a) pledges must meet the definition of an asset to be recorded; (b) a contribution stipulation must meet the definition of a liability in order to not be recognized as revenue when received or receivable; (c) when a stipulation gives rise to a liability, revenue would be recognized as the liability recorded; and (d) contributions of materials and services may be recognized if a fair value can reasonably be recognized; and • addressing the implications of: (a) eliminating the $500,000 size exemption in Part III of the Handbook that permits non-recognition of tangible and intangible capital assets; and (b) applying the referenced standards in Part II of the Handbook to the presentation of financial statements subject to retaining guidance material in Part III that addresses unique financial statement presentation issues faced by not-for-profit organizations.	In February 2020, the AcSB approved a plan to consult its stakeholders on the upcoming consultation paper, which it issued in May 2020. The Board undertook extensive outreach with key industry groups and stakeholders throughout the comment period, which ended in December 2020. The consultation paper has been closed for comment since December 2020 and the AcSB is currently deliberating feedback received through this period.