Treasurer's Report – August 29, 2018

First we need to understand that the operations of Emmanuel Home continue to show stable revenues and stable expenses – we are on target and doing well.

Next comes all the numbers and activities that involve the expansion. Darren has reported on the physical building and how construction is proceeding; an overview of the dollars involved is probably a good idea so that the Board is aware of some of the challenges as well as the positive developments that have taken place since the last Board meeting.

Darren's report was very condensed on the Financing aspect of the project. There were quite a few surprises that needed to be dealt with and a fair amount of time and discussion was required in order to get to where we needed to be. For that, Darren needs a big pat on the back. I have been involved on the sidelines to some degree but he has been front and centre and has done a very good job getting the bank and it's partner to complete the expected arrangements and start the funds rolling.

So we can see from the income statement that we have 'spent' just over 1.7M on the expansion so far. If you look at the Balance Sheet, you will see that most of that money was sitting in our Accounts Payable as of July 31. After the jumping through hoops was finished, the bank has started to advance funds and in August we not only paid the current amount owing to our General Contractor, we also restored some of the money that we had used from our own reserves over the past few months.

Darren did not mention something that might be of interest – the General Contractor has been having some success in reducing the subcontract amounts on some aspects of the work so far. This might mean that the overall cost of the expansion will be less that the original budget – we are pretty early in the process right now so we can't get too excited about this but it is certainly encouraging.

The only caution that I can raise at this point is that we are going to have an issue with GST. There are a couple of aspects to GST that we have been wrestling with that now have become a bit more clear. The government document on GST that we originally referenced was quite clear that a non-profit organization can claim 100% of all GST expenses related to capital expenses. That seemed to be very good news for us, and we have begun to claim these amounts as part of our accounting activities. However, (and this was not clear until recently - even the accountant's explanation did not help a great deal), when we begin to use the asset (our building in this case) to generate revenue, GST does come into the picture, and we will be assessed 50% of the GST that we are claiming during the construction phase. This 50% assessment will become part of the capital cost of the building.

Our initial deal with CCU mentions that GST cannot be financed and we are to cover this ourselves. We should be in a position to do this at the time this will be due (in 2020) but we will be approaching CCU when we are approaching the time for the mortgage to be finalized, and asking for some consideration on this GST. Because we don't know the final number yet on the construction costs (as mentioned above), our financial position at that time has a range of ‘probably ok’ to ‘very good’ and a determination of what we our mortgage amount should look like is unclear at the present time.

So for now, the expansion train is running, and is on schedule. with a bit of a reserve building up in the fuel tank.

Darren and I have talked about the providential care that we are seeing in how things have gone, and we are very thankful that this is truly in the hands of our God.