

Multifaith Housing Initiative



Financial Statements For the 10 months ended October 31, 2013

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Independent Auditor's Report

To the Members of Multifaith Housing Initiative

Report on Financial Statements

We have audited the accompanying financial statements of Multifaith Housing Initiative, which comprise the statement of financial position as at October 31, 2013 and the statements of operations, changes in net assets and cash flows for the 10 months then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report (continued)

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations and fundraising the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Our audit opinion on the financial statements for the year ended December 31, 2012 was also qualified because of the possible effects of this limitation in scope. Therefore we were not able to determine whether any adjustments might be necessary to donations and fundraising revenues, excess of revenue over expenses for the year, assets and net assets.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion Paragraph, the financial statements present fairly, in all material respects, the financial position of the organization as at October 31, 2013, and its results of operations and its cash flows for the 10 months then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Canadian Corporation's Act, we report that, in our opinion, these principles have been applied on a consistent basis.

Collins Barrow Ottawa LLP

Chartered Accountants, Licensed Public Accountants
March 3, 2014
Ottawa, Ontario

Multifaith Housing Initiative Statement of Financial Position

	October 31 2013	December 31 2012
Assets		
Current		
Cash (Note 1)	\$ 372,225	\$ 259,776
Accounts receivable (Note 2)	21,874	26,698
Prepaid expenses	5,424	6,928
	399,523	293,402
Tangible capital assets (Note 3)	3,872,825	3,951,043
	\$ 4,272,348	\$ 4,244,445
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 48,417	\$ 66,257
Deferred contributions (Note 5)	56,342	8,500
Deferred contributions for capital fund (Note 6)	134,187	-
Current portion of promissory notes payable (Note 7)	45,000	35,000
Current portion of long-term debt (Note 9)	1,273,895	1,305,495
	1,557,841	1,415,252
Promissory notes payable (Note 7)	422,000	437,000
CMHC RRAP loan (Note 8)	20,281	25,618
Mortgages payable (Note 9)	466,255	464,858
Deferred contributions related to capital assets (Note 10)	1,642,477	1,681,248
	4,108,854	4,023,976
Net assets		
Internally restricted for capital reserves (Note 13)	48,113	67,012
Internally restricted for fundraising reserve	23,333	-
Internally restricted for capital fund reserve	29,838	-
Internally restricted for invested in tangible capital assets	54,314	52,334
Unrestricted	7,896	101,123
	163,494	220,469
	\$ 4,272,348	\$ 4,244,445

On behalf of the Board:

Director

Director

Multifaith Housing Initiative Statement of Changes in Net Assets

For the 10 months ended October 31

2013

2012

(With comparatives for the 12 months ended December 31)

	Internally Restricted				Unrestricted	Total	Total
	Capital Reserves	Fundraising Reserve	Capital Fund Reserve	Invested in Capital Assets			
Balance , beginning of period. as previously reported	\$ 67,012	\$ -	\$ -	\$ 52,334	\$ 112,431	\$ 231,777	\$ 130,866
Retrospective adjustment (Note 11)	-	-	-	-	(11,308)	(11,308)	(11,308)
Balance , beginning of period	67,012	-	-	52,334	101,123	220,469	119,558
Excess (deficiency) of revenue over expenses for the period	-	-	-	(39,447)	(17,528)	(56,975)	100,911
Invested in capital assets Principal repayment of mortgages payable and promissory notes	-	-	-	41,427	(41,427)	-	-
Transfer from Unrestricted to Capital Fund Reserve	-	-	29,838	-	(29,838)	-	-
Net transfer from Unrestricted to Fundraising Reserve (Note 14)	-	23,333	-	-	(23,333)	-	-
Net transfer from Capital Reserves to Unrestricted (Note 13)	(18,899)	-	-	-	18,899	-	-
Balance , end of period	\$ 48,113	\$ 23,333	\$ 29,838	\$ 54,314	\$ 7,896	\$ 163,494	\$ 220,469

Multifaith Housing Initiative Statement of Operations

For the 10 months ended October 31 **2013** **2012**

(With comparatives for the 12 months ended December 31)

Revenue

Rental (Schedule)	\$ 355,759	\$ 400,221
Appliance contribution	6,572	-
Clear Skies contribution	-	10,000
Summer student contribution	5,226	-
Trillium contribution	12,811	-
United Way contribution	1,018	61,005
Donations	14,672	81,354
Fundraising - Tulipathon	29,838	26,498
Interest	2,127	4,446
Principal membership	2,900	5,200
Property tax rebates	29,267	103,423
Other	1,715	-
	461,905	692,147

Expenses

Appliance	6,572	-
Bank charges	429	712
Clear Skies	-	10,000
Consulting fees	40	700
Insurance	4,060	4,592
Management services	34,313	18,760
Marketing and communications	645	10,042
Office	19,902	32,684
Professional fees	25,769	20,995
Rental (Schedule)	299,090	352,694
Salaries and benefits	93,950	99,123
	484,770	550,302

Excess (deficiency) of revenue over expenses before items below

(22,865) 141,845

Amortization of RRAP loan (Note 8)

5,337 6,404

Amortization of tangible capital assets

(78,218) (93,863)

Amortization of deferred contributions related to tangible capital assets

38,771 **46,525**

Excess (deficiency) of revenue over expenses for the period **\$ (56,975)** **\$ 100,911**

Multifaith Housing Initiative Statement of Cash Flows

For the 10 months ended October 31 2013 2012

(With comparatives for the 12 months ended December 31)

Cash flows from operating activities

Excess (deficiency) of revenue over expenses for the period	\$ (56,975)	\$ 100,911
Adjustments for		
Amortization of tangible capital assets	78,218	93,863
Amortization of deferred contributions	(38,771)	(46,525)
Amortization of RRAP loan	(5,337)	(6,404)
	(22,865)	141,845
Changes in non-cash working capital items		
Accounts receivables	4,824	(15,548)
Prepaid expenses	1,504	4,438
Accounts payable and accrued liabilities	(17,840)	20,578
Deferred contributions	47,842	8,500
Deferred contributions for capital fund	134,187	-
	147,652	159,813

Cash flows from financing activities

Addition to long-term mortgage interest payable	6,223	6,223
Mortgage principal repayments	(36,426)	(40,441)
Promissory notes principal repayments	(5,000)	(52,000)
	(35,203)	(86,218)

Increase in cash during the period 112,449 73,595

Cash, beginning of period 259,776 186,181

Cash, end of period \$ 372,225 \$ 259,776

Multifaith Housing Initiative Summary of Significant Accounting Policies

October 31, 2013

Nature of Organization Multifaith Housing Initiative (MHI) was incorporated under the laws of the Canadian Corporations Act on October 30, 2002 and was registered as a Charitable Organization on January 1, 2003 under the Canadian Income Tax Act. The purpose of Multifaith Housing Initiative is to provide and to promote affordable home-space, to encourage harmonious relations amongst tenants of diverse backgrounds, and to mobilize the resources of faith communities and others for these purposes.

During the period, the organization was given permission to change its fiscal year end from December 31 to October 31.

Financial Instruments Measurement of financial instruments
Financial instruments are financial assets or liabilities of the organization where, in general, the organization has the right to receive cash or another financial asset from another party or the organization has the obligation to pay another party cash or other financial asset.

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions which are measured at the exchange amount.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets and financial liabilities measured at amortized cost include cash, accounts receivable, accounts payable and accrued liabilities, promissory notes payable and mortgages payable.

Impairment
Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenue over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenses.

Transaction costs
The organization recognizes its transaction costs in excess of revenue over expenses 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.

Multifaith Housing Initiative Summary of Significant Accounting Policies

October 31, 2013

Use of Estimates	The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The organization's estimates relate to provision for doubtful receivables and useful life to calculate amortization on tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.
Tangible Capital Assets	Tangible capital assets are recorded at cost. Building and unit conversion costs are amortized over the estimated useful life of the assets of 40 years on a straight-line basis.
Deferred Contributions Related to Tangible Capital Assets	Deferred contributions related to capital assets are being amortized at an amount pro-rated to the annual amortization of tangible capital assets.
Capital Reserve	<p>Under the terms of Municipal Housing Project Facilities agreement, the organization is required to annually contribute into a capital reserve for Somerset Gardens and Blake House.</p> <p>The capital reserve will only be used for:</p> <ul style="list-style-type: none">a) the replacement of worn out capital items; orb) any other capital improvements to the project approved by the City, and shall not be used for ordinary maintenance or minor repairs to the building or grounds. <p>The board of directors has also internally restricted a capital reserve for Kent for similar uses as above but at their discretion.</p>
Internally Restricted for Invested in Tangible Capital Assets	Net assets invested in capital assets is comprised of the net book value of capital assets less related mortgage payable and deferred contributions related to capital assets.
Internally Restricted for Fundraising Reserve	The board of directors has internally restricted a fundraising reserve to be used at their discretion.
Internally Restricted for Capital Fund Reserve	The board of directors has internally restricted a capital fund reserve to be used, in conjunction with externally restricted contributions deferred for capital fund, to purchase new properties.

Multifaith Housing Initiative Summary of Significant Accounting Policies

October 31, 2013

Revenue Recognition

The organization uses the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized in operations when earned. Investment income earned on resources restricted for a capital reserve is transferred from unrestricted net assets to net assets internally restricted for capital reserve.

Occupancy charges and other revenue are recognized in operations when earned.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2013

(With comparatives for the 12 months ended December 31)

1. Cash

The company's bank accounts are held at one chartered bank.

2. Accounts Receivable

	October 31 2013	December 31 2012
Tenant receivables	\$ 1,317	\$ 1,930
GST/HST receivable	19,707	22,279
Grants receivable	850	2,489
	\$ 21,874	\$ 26,698

GST/HST receivable represents amounts for claims that have been remitted. The organization is in the process of determining if additional amounts can be claimed for past years. If any, these amounts will be recorded in the year of receipt.

3. Tangible Capital Assets

	October 31 2013			December 31 2012		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Kent House						
Land	\$ 86,750	\$ -	\$ 86,750	\$ 86,750	\$ -	\$ 86,750
Building	260,250	54,219	206,031	260,250	48,797	211,453
Somerset Gardens	1,570,286	210,323	1,359,963	1,570,286	177,609	1,392,677
Blake House						
Land	540,296	-	540,296	540,296	-	540,296
Building	1,650,864	218,729	1,432,135	1,650,864	184,336	1,466,528
Unit conversions	273,101	25,451	247,650	273,101	19,762	253,339
	\$ 4,381,547	\$ 508,722	\$ 3,872,825	\$ 4,381,547	\$ 430,504	\$ 3,951,043

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2013

(With comparatives for the 12 months ended December 31)

4. Accounts Payable and Accrued Liabilities

	October 31 2013	December 31 2012
Trade payables	\$ 20,214	\$ 38,312
Advance RGI subsidies	13,606	12,027
Government remittances payable	2,344	1,939
Accrued interest on mortgage	7,632	7,827
Blake last months rent	4,621	6,152
	\$ 48,417	\$ 66,257

5. Deferred Contributions

Deferred contribution represents externally restricted contributions received in the current period to be spent in the subsequent year for specific types of expenses. Changes in the deferred contributions balance are as follows:

	October 31 2013	December 31 2012
Balance, beginning of period	\$ 8,500	\$ -
Add: Contributions received during the period	54,414	8,500
Less: Contributions recognized as revenue for the period	(6,572)	-
Balance, end of period	\$ 56,342	\$ 8,500

6. Deferred Contributions for Capital Fund

Deferred contributions for capital fund represents externally restricted funding received in the current period to be spent in a subsequent year towards the purchase of new rental properties.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2013

(With comparatives for the 12 months ended December 31)

7. Promissory Notes Payable

	October 31 2013	December 31 2012
Notes payable	\$ 467,000	\$ 472,000
Less: Current portion	(45,000)	(35,000)
	\$ 422,000	\$ 437,000

Promissory notes payable bear interest ranging from 0% to 5.5% with interest being payable semi-annually. The notes also have various maturity dates ranging from March 2013 to June 2019.

Principal payments required on notes payable for the next five years and thereafter are as follows:

2014	\$ 50,000
2015	150,000
2016	28,000
2017	154,000
2018	70,000
Thereafter	15,000
	\$ 467,000

8. CMHC RRAP Loan

In 2008, the organization received a loan from Canada Mortgage and Housing Corporation under its Rental Residential Rehabilitation Assistance Program (RRAP) to finance costs of improvements and repairs at the Kent Street property. The loan bears interest at 8% per annum. As long as the organization continues to provide the property as affordable housing, annual interest is forgiven and annual principal amount of \$6,404 is forgiven until the loan matures on January 1, 2017.

	October 31 2013	December 31 2012
Balance, beginning of period	\$ 25,618	\$ 32,022
Principal forgiven during the period	(5,337)	(6,404)
Balance, end of period	\$ 20,281	\$ 25,618

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2013

(With comparatives for the 12 months ended December 31)

9. Mortgages Payable

	October 31 2013	December 31 2012
Mortgage payable, 4.75%, repayable in blended monthly instalments of \$1,000, due March 5, 2014, secured by Kent Street property.	\$ 105,890	\$ 112,039
Mortgage payable, 6.25%, repayable in blended monthly instalments of \$2,147, due December 1, 2018, secured by Somerset Gardens properties.	327,698	332,239
Mortgage payable, 5.5%, secured by Somerset Gardens properties, principal and interest due when properties are sold.		
Principal	113,146	113,146
Accumulated accrued interest payable	31,115	24,892
Mortgage payable, 5.6042%, repayable in blended monthly instalments of \$8,064, on a month to month basis, secured by Blake Boulevard property.	1,162,301	1,188,037
	1,740,150	1,770,353
Less: Current portion	1,273,895	1,305,495
	\$ 466,255	\$ 464,858

Principal payments required on mortgages payable for the next five years and thereafter are as follows:

2014	\$ 1,273,895
2015	6,066
2016	6,451
2017	6,861
2018	7,296
Thereafter	439,581
	\$ 1,740,150

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2013

(With comparatives for the 12 months ended December 31)

10. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent restricted contributions with which the organization's capital assets were originally purchased. The changes in the deferred contributions balance for the year are as follows:

	October 31 2013	December 31 2012
Beginning balance	\$ 1,681,248	\$ 1,727,773
Less: Amounts amortized to revenue	<u>(38,771)</u>	<u>(46,525)</u>
Ending balance	<u>\$ 1,642,477</u>	<u>\$ 1,681,248</u>

Original contributions included amounts from Federal, Provincial and Municipal government sources of \$900,000 which has been recorded as a mortgage on the property at municipal address 138 Somerset Street West, Ottawa, Ontario. Should the organization continue to provide affordable housing units for 25 years, then the amount will be forgiven at that time.

Original contributions included amounts from Federal, Provincial and Municipal government sources of \$604,800 which has been recorded as a mortgage on the property at municipal address 372, 376 and 380 Blake Boulevard, Ottawa, Ontario. Should the organization continue to provide affordable housing units for 20 years, then the amount will be forgiven at that time.

11. Retrospective Adjustment to Net Assets, Beginning of Year

During the year, it was determined that the organization is receiving RGI subsidies amounts one month in advance. For fiscal years prior to January 1, 2012, the organization had recorded RGI advances as earned in the month received. As a result of retrospectively correcting this error, unrestricted net assets at January 1, 2012 were decreased by \$11,308, accounts payable and accrued liabilities at January 1, 2012 was increased by \$11,308, unrestricted net assets at January 1, 2013 was decreased by \$11,308 and accounts payable and accrued liabilities at January 1, 2013 was increased by \$11,308.

12. Fundraising Reserve

During the year, the Board of Directors approved the creation of the Fundraising Reserve with an allocation from Unrestricted Net Assets of \$50,000. At the end of the year, the Board of Directors approved a transfer back to Unrestricted Net Assets of \$26,667 to cover salaries related to fundraising.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2013

(With comparatives for the 12 months ended December 31)

13. Capital Reserve

	October 31				December 31	
	2013				2012	
	Kent	Somerset	Blake	Other	Total	Total
Balance, beginning of period	\$ 14,400	\$ 12,377	\$ 20,123	\$ 20,112	\$ 67,012	\$ 67,904
Transfer from unrestricted net assets						
Appropriation for the period	2,000	2,667	36,667	721	42,055	14,608
Expenditures for the period	(15,504)	-	(42,679)	(2,771)	(60,954)	(15,500)
	(13,504)	2,667	(6,012)	(2,050)	(18,899)	(892)
Balance, end of period	\$ 896	\$ 15,044	\$ 14,111	\$ 18,062	\$ 48,113	\$ 67,012

14. Commitments

The organization is committed to an office lease with minimum lease payments of \$2,388 and property management services of \$39,696 for 2014.

15. Risks and Concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations as at October 31, 2013. The organization is not involved in any hedging relationships through its operations.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, promissory notes payable and mortgages payable.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to its accounts receivable as set out in Note 3 to these financial statements.

Changes in risk

There have been no changes in the organization's risk exposures from the prior year.

Multifaith Housing Initiative Schedule of Rental Revenue and Expenses

For the 10 months ended October 31

2013

2012

(With comparatives for the 12 months ended December 31)

	Kent Street	Somerset Gardens	Blake Boulevard	Total	Kent Street	Somerset Gardens	Blake Boulevard	Total
Revenue								
Gross rents	\$ 35,293	\$ 67,655	\$ 158,311	\$ 261,259	\$ 43,272	\$ 97,952	\$ 179,955	\$ 321,179
Rent subsidies	7,017	13,045	113,339	133,401	2,568	-	131,138	133,706
Less internal subsidies	(11,214)	(12,990)	(17,830)	(42,034)	(9,900)	(23,435)	(14,159)	(47,494)
Less vacancy losses	-	-	(4,440)	(4,440)	(1,714)	(2,456)	(10,899)	(15,069)
	31,096	67,710	249,380	348,186	34,226	72,061	286,035	392,322
Parking	-	-	1,586	1,586	-	-	2,385	2,385
Laundry	235	-	5,752	5,987	106	-	5,408	5,514
	31,331	67,710	256,718	355,759	34,332	72,061	293,828	400,221
Expenses								
Bad debt	-	-	12,225	12,225	-	-	5,202	5,202
Condo fees	-	31,485	-	31,485	-	32,903	-	32,903
Insurance	687	710	2,478	3,875	922	886	2,996	4,804
Interest on promissory notes	969	2,094	7,938	11,001	4,677	6,934	4,680	16,291
Mortgage interest	3,801	23,177	54,792	81,770	5,904	26,892	67,457	100,253
Municipal taxes	342	6,191	2,870	9,403	465	14,238	3,458	18,161
Repairs and maintenance	23,244	2,232	85,912	111,388	14,660	14,035	86,955	115,650
Superintendent	-	-	7,866	7,866	-	-	9,828	9,828
Utilities	3,227	300	26,550	30,077	5,745	175	43,682	49,602
	32,270	66,189	200,631	299,090	32,373	96,063	224,258	352,694
Net rental income (loss)	\$ (939)	\$ 1,521	\$ 56,087	\$ 56,669	\$ 1,959	\$ (24,002)	\$ 69,570	\$ 47,527