

Multifaith Housing Initiative



Financial Statements

For the year ended October 31, 2018



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Contents

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Changes in Fund Balances	5
Statement of Operations	6
Statement of Cash Flows	7
Summary of Significant Accounting Policies	8
Notes to Financial Statements	11
Schedule of Rental Operations	20

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Independent Auditor's Report

To the Members of Multifaith Housing Initiative

Report on the Financial Statements

We have audited the accompanying financial statements of Multifaith Housing Initiative, which comprise the statement of financial position as at October 31, 2018 and the statements of operations, changes in fund balances and cash flows for the year 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 judgement, 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 the Board of Directors, 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 October 31, 2017 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, deficiency of revenue over expenses for the years ended October 31, 2018 and 2017, assets as at October 31, 2018 and 2017, and net assets at both the beginning and end of the October 31, 2018 and 2017 years.

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, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
March 7, 2019
Ottawa, Ontario

**Multifaith Housing Initiative
Statement of Financial Position**

October 31			2018	2017
	General Fund	Capital Asset Fund	Total	Total
Assets				
Current				
Cash (Note 1)	\$ 526,007	\$ 77,820	\$ 603,827	\$ 170,569
Accounts receivable (Note 2)	63,343	23,861	87,204	353,894
Prepaid expenses	11,691	-	11,691	11,295
	601,041	101,681	702,722	535,758
Investment (Note 3)	-	37,876	37,876	-
Assets under construction (Note 4)	-	472,281	472,281	225,931
Tangible capital assets (Note 5)	-	27,129,453	27,129,453	24,903,222
	\$ 601,041	\$ 27,741,291	\$ 28,342,332	\$ 25,664,911

Multifaith Housing Initiative Statement of Financial Position

October 31			2018	2017
	General Fund	Capital Asset Fund	Total	Total
Liabilities and Net Assets				
Current				
Bank indebtedness	\$ -	\$ -	\$ -	\$ 27,589
Accounts payable and accrued liabilities (Note 6)	196,686	128,792	325,478	504,910
Deferred contributions (Note 7)	10,398	-	10,398	-
Deferred contributions for capital projects (Note 8)	657,877	-	657,877	419,382
Current portion of promissory notes payable (Note 9)	-	85,000	85,000	40,000
Current portion of long-term debt (Note 11)	-	186,574	186,574	163,120
Interfund (receivable)/payable (Note 10)	(786,812)	786,812	-	-
	78,149	1,187,178	1,265,327	1,155,001
Promissory notes payable (Note 9)	-	261,000	261,000	321,000
Mortgages payable (Note 11)	48,111	9,216,983	9,265,094	9,198,523
Deferred contributions related to capital assets (Note 12)	-	11,922,114	11,922,114	12,207,843
Deferred contributions related to mortgage repayment (Note 13)	382,293	-	382,293	418,702
	508,553	22,587,275	23,095,828	23,301,069
Fund Balances				
Capital reserves (Note 14)	-	115,696	115,696	48,154
Internally restricted for capital fund reserve	9,244	-	9,244	9,244
Internally restricted for invested in tangible capital assets (Note 14)	-	5,038,320	5,038,320	2,366,365
Unrestricted (deficit)	83,244	-	83,244	(59,921)
	92,488	5,154,016	5,246,504	2,363,842
	\$ 601,041	\$27,741,291	\$28,342,332	\$25,664,911

On behalf of the Board:

Director

Director

Multifaith Housing Initiative Statement of Changes in Fund Balances

For the year ended October 31

	General Fund					Capital Asset Fund (Note 14)			
	Internally Restricted			Unrestricted	Total 2018	Total 2017	2018	2017	
	Fundraising Reserve	Capital Fund Reserve	Community Engagement Reserve						
Balance , beginning of year	\$ -	\$ 9,244	\$ -	\$ (59,921)	\$ (50,677)	\$ (114,414)	\$ 2,414,519	\$ 2,470,299	
Excess (deficiency) of revenue over expenses for the year	(30,433)	-	(76,337)	514,255	407,485	185,647	(274,823)	(177,690)	
Invested in capital assets									
Net Increase (decrease) of mortgages payable and promissory notes	-	-	-	(181,720)	(181,720)	(76,503)	181,720	76,503	
Contribution of land	-	-	-	-	-	-	2,750,000	-	
Inter-fund transfers	30,433	-	76,337	(106,770)	-	-	-	-	
Net transfer from Unrestricted to Capital Reserve (Note 14)	-	-	-	(82,600)	(82,600)	(45,407)	82,600	45,407	
Balance , end of year	\$ -	\$ 9,244	\$ -	\$ 83,244	\$ 92,488	\$ (50,677)	\$ 5,154,016	\$ 2,414,519	

Multifaith Housing Initiative Statement of Operations

For the year ended October 31

	General Fund				Capital Asset Fund				
	Unrestricted	Fundraising Fund	Community Engagement	Total 2018	Total 2017	Invested in Capital Assets	Capital Reserve	Total 2018	Total 2017
Revenue									
Rental operations (Schedule)	\$ 1,575,346	\$ -	\$ -	\$ 1,575,346	\$ 907,868	\$ -	\$ -	\$ -	\$ -
Other contributions	32,876	-	-	32,876	3,895	-	-	-	-
Donations (Note 15)	128,605	168,208	-	296,813	154,119	-	-	-	-
Interest	5,594	-	-	5,594	4,522	-	572	572	564
Principal membership	8,300	-	-	8,300	6,051	-	-	-	-
Amortization of deferred contributions related to mortgage repayment	36,409	-	-	36,409	36,409	-	-	-	-
	1,787,130	168,208	-	1,955,338	1,112,864	-	572	572	564
Expenses									
Rental operations (Schedule)	1,010,486	-	-	1,010,486	633,625	-	-	-	-
Capital reserve	-	-	-	-	-	-	15,630	15,630	19,654
Projects	21,611	-	-	21,611	-	-	-	-	-
Insurance	3,622	402	-	4,024	4,956	-	-	-	-
Marketing and communications	1,001	-	-	1,001	1,878	-	-	-	-
Fundraising	6,354	98,429	-	104,783	13,101	-	-	-	-
Office	36,122	3,764	-	39,886	34,371	-	-	-	-
Professional fees	48,406	5,379	-	53,785	28,018	-	-	-	-
Salaries and benefits	145,273	90,667	76,337	312,277	212,337	-	-	-	-
	1,272,875	198,641	76,337	1,547,853	928,286	-	15,630	15,630	19,654
Excess of revenue over expenses before items below	514,255	(30,433)	(76,337)	407,485	184,578	-	(15,058)	(15,058)	(19,090)
Amortization of RRAP loan	-	-	-	-	1,069	-	-	-	-
Amortization of tangible capital assets	-	-	-	-	-	(579,325)	-	(579,325)	(341,219)
Amortization of deferred contributions related to tangible capital assets	-	-	-	-	-	319,560	-	319,560	182,619
Excess (deficiency) of revenue over expenses for the year	\$ 514,255	\$ (30,433)	\$ (76,337)	\$ 407,485	\$ 185,647	\$ (259,765)	\$ (15,058)	\$ (274,823)	\$ (177,690)

The accompanying summary of significant accounting policies, notes and schedule are an integral part of these financial statements

Multifaith Housing Initiative Statement of Cash Flows

For the year ended October 31	2018	2017
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year		
General fund	\$ 407,485	\$ 185,647
Capital asset fund	(274,823)	(177,690)
Adjustments for		
Amortization of tangible capital assets	579,325	341,219
Amortization of deferred contributions related to tangible capital assets	(319,560)	(182,619)
Amortization of RRAP loan	-	(1,069)
Amortization of deferred contributions related to mortgage repayment	(36,409)	(36,409)
	<u>356,018</u>	129,079
Changes in non-cash working capital items		
Accounts receivables	266,690	(74,876)
Prepaid expenses	(396)	(3,080)
Accounts payable and accrued liabilities	(179,432)	(1,667,151)
Deferred contributions	10,398	(259)
Deferred contributions for capital projects	238,495	(742,312)
	<u>691,773</u>	(2,358,599)
Cash flows from investing activities		
Additions to tangible capital assets	(55,556)	(18,967,244)
Assets under construction	(246,350)	11,572,637
Contributions to investments	(37,876)	-
	<u>(339,782)</u>	(7,394,607)
Cash flows from financing activities		
Additions to deferred contributions	33,831	3,257,213
Addition to long-term mortgage interest payable	6,223	6,223
Promissory notes principal repayments	(15,000)	(49,000)
Addition to mortgages payable	250,000	5,605,415
Mortgage principal repayments	(166,198)	(26,979)
	<u>108,856</u>	8,792,872
Increase (decrease) in cash during the year	460,847	(960,334)
Cash and equivalents, beginning of year	142,980	1,103,314
Cash and equivalents, end of year	\$ 603,827	\$ 142,980
Represented by		
Cash	\$ 603,827	\$ 170,569
Bank indebtedness	-	(27,589)
	<u>\$ 603,827</u>	<u>\$ 142,980</u>

Multifaith Housing Initiative Summary of Significant Accounting Policies

October 31, 2018

Nature of Organization	<p>Multifaith Housing Initiative (MHI) was incorporated under the laws of the Canadian Not-for-profit Corporations Act and was registered as a Charitable Organization on January 1, 2003 under the Canadian Income Tax Act. The organization was continued under the Canada Not-for-profit Corporations Act on May 30, 2014. The purpose of Multifaith Housing Initiative is to provide and promote safe, affordable, and well-maintained housing in inclusive communities, and to mobilize resources for these purposes.</p>
Basis of Presentation	<p>These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.</p>
Fund Accounting	<p>The organization follows the deferral method of accounting for contributions.</p> <p>The General Fund accounts for the organization's rental operations, program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.</p> <p>The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the organization's tangible capital assets and externally and internally restricted capital reserves.</p>
Financial Instruments	<p><u>Measurement of financial instruments</u></p> <p>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.</p> <p>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.</p> <p>The organization subsequently measures all its financial assets and financial liabilities at amortized cost.</p> <p>Financial assets and financial liabilities measured at amortized cost include cash, accounts receivable, accounts payable and accrued liabilities, promissory notes payable and mortgages payable.</p>

Multifaith Housing Initiative Summary of Significant Accounting Policies

October 31, 2018

Financial Instruments (continued)

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.

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. Buildings, condominiums and unit conversion costs are amortized over the estimated useful life of the assets of 40 years on a straight-line basis.

Office equipment and furniture are amortized over the estimated useful life of 10 years on a straight-line basis.

The half-rate rule is used in the year of acquisition.

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

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.

The capital reserve will only be used for:

- a) the replacement of worn out capital items; or
- b) 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.

Multifaith Housing Initiative Summary of Significant Accounting Policies

October 31, 2018

**Capital Reserve
(continued)**

The board of directors has also internally restricted a capital reserve for Kent for similar uses as above but at their discretion.

Under the terms of the contribution agreement with the City of Ottawa, the organization is required to annually contribute into a capital reserve for The Haven project. Restrictions on the reserve are similar as for the capital reserves for Somerset Gardens and Blake House.

**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
Community Engagement
Reserve**

The board of directors has internally restricted a reserve for community engagement 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.

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Restricted contributions related to capital assets and capital reserves are recorded in the Capital Asset Fund in the year in which the related expenses are incurred.

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

Investment income earned on resources related to the organization's capital reserves is recognized as revenue of the Capital Asset Fund. Other investment income is recognized as revenue of the General Fund when earned.

Occupancy charges and other revenue are recognized in operations of the General Fund when earned.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2018

1. Cash

The organization's bank accounts are held at one chartered bank. The organization has a credit facility available of \$325,000. This facility is secured by the Kent House property and bears interest at bank prime plus 2.7% and must meet certain financial covenants. Outstanding amounts are due on demand. The credit facility has an outstanding balance of \$0 at October 31, 2018.

2. Accounts Receivable

	General Fund	Capital Asset Fund	2018	2017
Tenant receivables	\$ 35,158	\$ -	\$ 35,158	\$ 11,115
HST receivable	24,609	23,861	48,470	11,252
Grants receivable	3,576	-	3,576	-
City of Ottawa	-	-	-	331,527
	\$ 63,343	\$ 23,861	\$ 87,204	\$ 353,894

3. Investment

Investment represents a social housing Canadian bond fund managed by Encasa Financial Inc. and held in trust for the organization by Infrastructure Ontario. The investment is restricted in use for the Haven's capital replacement reserve. Per Note 14, the balance of the Haven's capital replacement reserve is \$90,078. Therefore at October 31, 2018, there is an investment shortfall of \$52,202.

4. Assets Under Construction

Assets under construction of \$472,281 (2017 - \$225,931) are costs related to the construction of Veteran's House multi-unit housing project ongoing at year end. These costs will be transferred to tangible capital assets and amortization will be recognized once these assets are put into service. Final costs of the project is expected to be around \$11,500,000.

Further financing will come from additional government contributions, mortgage and fundraising.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2018

5. Tangible Capital Assets

	2018			2017		
	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	86,750	173,500	260,250	80,244	180,006
Somerset Gardens Condominiums	1,570,286	406,609	1,163,677	1,570,286	367,352	1,202,934
Blake House						
Land	540,296	-	540,296	540,296	-	540,296
Building	1,650,864	425,415	1,225,449	1,650,864	384,143	1,266,721
Unit conversions	273,101	59,589	213,512	273,101	52,761	220,340
Renovations	334,271	37,606	296,665	334,271	29,249	305,022
The Haven						
Land	2,364,440	-	2,364,440	2,364,440	-	2,364,440
Building	19,014,264	711,646	18,302,618	18,958,708	236,984	18,721,724
Furniture	8,536	1,280	7,256	8,536	427	8,109
Veteran's House						
Land	2,750,000	-	2,750,000	-	-	-
Office equipment	3,292	1,152	2,140	3,292	823	2,469
Leasehold improvements	6,301	3,151	3,150	6,301	1,890	4,411
	\$ 28,862,651	\$ 1,733,198	\$ 27,129,453	\$ 26,057,095	\$ 1,153,873	\$ 24,903,222

During the year, the organization received contributed land with fair market value of \$2,750,000 for the Veteran's House project.

6. Accounts Payable and Accrued Liabilities

	General Fund	Capital Asset Fund	2018		2017
Trade payables	\$ 68,263	\$ 20,326	\$ 88,589	\$	233,001
Advance					
Municipal subsidies	22,672	-	22,672		20,054
Government remittances payable	5,384	-	5,384		13,293
HST payable	-	108,466	108,466		147,241
Accrued mortgage interest	12,260	-	12,260		6,229
Last months rent	88,107	-	88,107		85,092
	\$ 196,686	\$ 128,792	\$ 325,478	\$	504,910

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2018

7. Deferred Contributions

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

	2018	2017
Balance, beginning of year	\$ -	\$ 259
Add: Contributions received during the year	10,398	-
Less: Contributions recognized as revenue for the year	-	(259)
Balance, end of year	\$ 10,398	\$ -

8. Deferred Contributions for Capital Projects

Deferred contributions for capital projects represents external contributions from donors with the understanding that the funds are to be spent in a subsequent years towards the development of new rental properties, less costs of fundraising. Changes in the deferred contributions for capital projects balance are as follows:

	The Haven	Veteran's House	2018	2017
Balance, beginning of year	\$ 119,360	\$ 300,022	\$ 419,382	\$ 1,161,694
Add: Contributions received during the year	40,718	399,816	440,534	350,088
Less: Transfer to deferred contributions related to capital assets	(33,831)	-	(33,831)	(1,000,000)
Contributions recognized as revenue for the year	(8,575)	(159,633)	(168,208)	(92,400)
Balance, end of year	\$ 117,672	\$ 540,205	\$ 657,877	\$ 419,382

Contributions recognized as revenue for the year (also presented in Note 15) was used to offset the following fundraising fund expenses:

Insurance	\$ 37	\$ 365	\$ 402	\$ 639
Fundraising	762	97,667	98,429	10,314
Office	348	3,416	3,764	4,433
Professional fees	498	4,881	5,379	3,614
Salaries and benefits	6,930	53,304	60,234	73,400
	\$ 8,575	\$ 159,633	\$ 168,208	\$ 92,400

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2018

9. Promissory Notes Payable

	2018	2017
Notes payable	\$ 346,000	\$ 361,000
Less: Current portion	(85,000)	(40,000)
	\$ 261,000	\$ 321,000

Promissory notes payable bear interest ranging from 0% to 4% with interest being payable semi-annually. The notes also have various maturity dates ranging from May 2019 to June 2023.

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

2019	\$ 85,000
2020	80,000
2021	61,000
2022	50,000
2023	70,000
	\$ 346,000

10. Interfund Receivable/Payable

Interfund receivable/payable represents the following transfer of funds between the general fund and the capital asset fund.

	2018
Funds used in 2014 to repay mortgage on Kent Street property	\$ 103,535
Funds used in 2016 to repay mortgage on Somerset Gardens property	315,927
Net contributions towards payment for assets under construction - Veteran' House	475,816
Net contributions towards payment for assets under construction - The Haven	(108,466)
	\$ 786,812

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2018

11. Mortgages Payable

	2018	2017
Mortgage payable, Infrastructure Ontario, 4.33%, net of amortized refinancing fees of \$13,082, repayable in blended monthly instalments of \$7,375, secured by Blake Boulevard property with net book value of \$2,275,922, general security agreement and assignment of rents and rent supplement agreements, due April 15, 2044.	\$ 1,351,923	\$ 1,380,118
Mortgage payable, City of Ottawa and private lender, 5.5%, secured by Somerset Gardens properties with net book value of \$1,163,677, principal and interest due when properties are sold.		
Principal	113,146	113,146
Accumulated accrued interest payable	61,193	54,970
Construction loan payable, Infrastructure Ontario, floating interest rate as determined by Infrastructure Ontario, interest only payable monthly, conversion to term loan required by September 2017, secured by the Haven property with net book value of \$20,667,058, general security agreement on all other assets, assignment of rent and leases, construction rights agreement, City of Ottawa contribution agreement and capital reserve account related to the Haven project.	-	7,813,409
Mortgage payable, 3.6%, repayable in monthly blended payments of \$35,523, secured by Haven property with net book value of \$20,667,058, matures on November 23, 2047.	7,678,483	-
Mortgage payable, 3.6%, repayable monthly in blended payments of \$1,149, secured by Haven property with net book value of \$20,667,058, due February 1, 2048.	246,923	-
	9,451,668	9,361,643
Less: Current portion	186,574	163,120
	\$ 9,265,094	\$ 9,198,523

In addition, the organization is required by Infrastructure Ontario to maintain a debt service coverage ratio of 1.15. As at October 31, 2018, the organization has met the financial covenant with a ratio of 1.37.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2018

11. Mortgages Payable (continued)

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

2019	\$	186,574
2020		193,654
2021		201,001
2022		208,630
2023		216,549
Thereafter		<u>8,445,260</u>
	\$	<u>9,451,668</u>

12. 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:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 12,207,843	\$ 1,502,902
Add: Contributions related to capital assets	33,831	10,887,560
Less: Amounts amortized to revenue	(319,560)	(182,619)
Ending balance	<u>\$ 11,922,114</u>	<u>\$ 12,207,843</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 (until 2034), then the amount will be forgiven at that time.

Original contributions included amounts from Federal, Provincial and Municipal government sources of \$840,000 which has been recorded as a mortgage on the property at municipal address 372, 376 and 380 Blake Boulevard, Ottawa, Ontario. As long as the organization continues to provide the property as affordable housing, annual interest is forgiven and annual principal amount is forgiven on a straight-line basis until the loan matures in 2029. As at October 31, 2018, the estimated unforgiven amount is \$462,000.

Original contributions included amounts from Provincial and Municipal government sources of \$9,887,560, which has recorded a mortgage on The Haven property. As long as The Haven continues to provide affordable housing units for 35 years (until 2052), then the amount will be forgiven at that time.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2018

13. Deferred Contribution Related to Mortgage Repayment

Deferred contributions related to mortgage repayment represent restricted contributions received to assist with the principal repayment of the Blake Boulevard property's first mortgage. The changes in the deferred contributions balance for the year are as follows:

	2018	2017
Beginning balance	\$ 418,702	\$ 455,111
Less: Amounts amortized to revenue	(36,409)	(36,409)
Ending balance	\$ 382,293	\$ 418,702

The original contributions from the City of Ottawa has been recorded as a mortgage on the property at municipal address 372, 376 and 380 Blake Boulevard, Ottawa, Ontario. As long as the organization continues to provide the property as affordable housing, annual interest is forgiven and annual principal amount is forgiven on a straight-line basis until the loan matures in 2029. As at October 31, 2018, the estimated unforgiven amount is \$386,000.

14. Capital Asset Fund

Capital Reserves

	2018				2017	
	Kent	Somerset	Blake	Haven	Total	Total
Balance, beginning of year	\$ -	\$ 21,647	\$ -	\$ 26,507	\$ 48,154	\$ 21,837
Deficiency of revenue over expenses for the year	(1,629)	-	(13,300)	(129)	(15,058)	(19,090)
Transfer from Unrestricted General Fund Appropriation for the year	2,400	3,200	13,300	63,700	82,600	45,407
	771	3,200	-	63,571	67,542	26,317
Balance, end of year	\$ 771	\$ 24,847	\$ -	\$ 90,078	\$ 115,696	\$ 48,154

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2018

14. **Capital Asset Fund** (continued)

Invested in Tangible Capital Assets

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 2,366,365	\$ 2,448,462
Deficiency of revenue over expenses for the year	(259,765)	(158,600)
Net increase of mortgages payable and promissory notes	181,720	76,503
Contribution of land	<u>2,750,000</u>	-
Balance, end of year	<u>\$ 5,038,320</u>	<u>\$ 2,366,365</u>

15. **Donations Revenue**

	<u>2018</u>	<u>2017</u>
General	\$ 96,496	\$ 32,405
Capital fund	168,208	92,400
Tulipathon	<u>32,109</u>	29,314
	<u>\$ 296,813</u>	<u>\$ 154,119</u>

16. **Commitments**

The organization is committed to an office lease with minimum lease payments of \$6,239 and property management services of \$124,070 for 2019.

17. **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, 2018. 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.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2018

17. **Risks and Concentrations** (continued)

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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its floating interest rate credit facility.

Changes in risk

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

Multifaith Housing Initiative Schedule of Rental Operations

For the year ended October 31, 2018

	Kent Street	Somerset Gardens	Blake Boulevard	The Haven	Total
Revenue					
Gross rents	\$ 46,783	\$ 75,528	\$ 242,084	\$ 991,170	\$ 1,355,565
Rent subsidies	6,905	37,945	108,538	75,443	228,831
Less internal subsidies	(9,817)	(9,456)	(27,916)	(2,628)	(49,817)
Less vacancy losses	(2,070)	(1,078)	(672)	(945)	(4,765)
	41,801	102,939	322,034	1,063,040	1,529,814
Parking and laundry	109	-	3,670	41,753	45,532
	41,910	102,939	325,704	1,104,793	1,575,346
Expenses					
Bad debt	-	-	(40)	6,240	6,200
Condominium fees	-	43,355	-	-	43,355
Insurance	1,100	1,000	3,400	26,783	32,283
Interest on promissory notes	2,892	4,288	2,895	-	10,075
Legal	7,996	175	-	-	8,171
Professional fees	-	-	601	16,494	17,095
Office	-	-	-	7,188	7,188
Management fees	5,854	11,708	30,442	76,304	124,308
Mortgage interest	-	6,223	60,202	279,941	346,366
Municipal taxes	428	5,793	3,747	-	9,968
Repairs and maintenance	24,234	5,009	62,723	159,890	251,856
Superintendent	-	-	1,939	-	1,939
Utilities	3,951	110	38,142	109,479	151,682
	46,455	77,661	204,051	682,319	1,010,486
Net rental income (loss) before amortization	(4,545)	25,278	121,653	422,474	564,860
Less: amortization of tangible capital assets net of amortization of related deferred contributions related to rental operations	6,506	16,757	32,431	201,627	257,321
Net rental income(loss)	\$ (11,051)	\$ 8,521	\$ 89,222	\$ 220,847	\$ 307,539

**Multifaith Housing Initiative
Schedule of Rental Operations (continued)**

For the year ended October 31, 2017

	Kent Street	Somerset Gardens	Blake Boulevard	The Haven	Total
Revenue					
Gross rents	\$ 40,824	\$ 75,096	\$ 222,757	\$ 406,069	\$ 744,746
Rent subsidies	9,672	36,900	124,825	36,358	207,755
Less internal subsidies	(10,572)	(9,456)	(36,186)	(1,314)	(57,528)
Less vacancy losses	-	-	(1,103)	(7,357)	(8,460)
	39,924	102,540	310,293	433,756	886,513
Parking and laundry	473	-	4,643	16,239	21,355
	40,397	102,540	314,936	449,995	907,868
Expenses					
Bad debt	-	-	15,487	-	15,487
Condominium fees	-	41,930	-	-	41,930
Insurance	1,100	1,100	3,400	10,980	16,580
Interest on promissory notes	3,419	5,070	3,421	-	11,910
Professional fees	-	-	8,586	5,664	14,250
Office	-	-	-	31,417	31,417
Management fees	5,347	10,694	27,804	54,219	98,064
Mortgage interest	-	6,223	61,422	72,963	140,608
Municipal taxes	418	5,644	3,560	-	9,622
Repairs and maintenance	29,452	7,805	86,667	40,922	164,846
Superintendent	-	-	1,939	-	1,939
Utilities	4,290	-	35,029	47,653	86,972
	44,026	78,466	247,315	263,818	633,625
Net rental income (loss) before amortization	(3,629)	24,074	67,621	186,177	274,243
Less amortization of tangible capital assets net of amortization of related deferred contributions related to rental operations	6,506	16,757	32,431	100,890	156,584
Net rental income (loss)	\$ (10,135)	\$ 7,317	\$ 35,190	85,287	\$ 117,659