

Multifaith Housing Initiative



Financial Statements

For the year ended October 31, 2014

Multifaith Housing Initiative
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For the year ended October 31, 2014

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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, 2014 and the statements of operations, changes in net assets 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 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 October 31, 2013 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, 2014 and 2013, assets as at October 31, 2014 and 2013, and net assets at both the beginning and end of the October 31, 2014 and 2013 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, 2014, 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.

Collins Barrow Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
February 26, 2015
Ottawa, Ontario

Multifaith Housing Initiative Statement of Financial Position

October 31	2014	2013
Assets		
Current		
Cash (Note 1)	\$ 316,950	\$ 372,225
Accounts receivable (Note 2)	60,823	21,874
Prepaid expenses	9,401	5,424
	387,174	399,523
Tangible capital assets (Note 3)	4,108,727	3,872,825
	\$ 4,495,901	\$ 4,272,348
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 63,926	\$ 48,417
Deferred contributions (Note 5)	42,064	56,342
Deferred contributions for capital fund (Note 6)	298,349	134,187
Current portion of promissory notes payable (Note 7)	155,000	45,000
Current portion of long-term debt (Note 9)	30,768	1,273,895
	590,107	1,557,841
Promissory notes payable (Note 7)	307,000	422,000
CMHC RRAP loan (Note 8)	13,877	20,281
Mortgages payable (Note 9)	1,898,288	466,255
Deferred contributions related to capital assets (Note 10)	1,595,952	1,642,477
	4,405,224	4,108,854
Net assets		
Internally restricted for capital reserves (Note 12)	48,404	48,113
Internally restricted for fundraising reserve	8,136	23,333
Internally restricted for capital fund reserve	13,435	29,838
Internally restricted for invested in tangible capital assets	39,310	54,314
Unrestricted	(18,608)	7,896
	90,677	163,494
	\$ 4,495,901	\$ 4,272,348

On behalf of the Board:

Director

Director

Multifaith Housing Initiative Statement of Changes in Net Assets

For the year ended October 31

2014

2013

(With comparatives for the 10 months ended October 31, 2013)

	Internally Restricted				Unrestricted	Total	Total
	Capital Reserves	Fundraising Reserve	Capital Fund Reserve	Invested in Capital Assets			
Balance , beginning of year	\$ 48,113	\$ 23,333	\$ 29,838	\$ 54,314	\$ 7,896	\$ 163,494	\$ 220,469
Deficiency of revenue over expenses for the year	-	-	-	(51,844)	(20,973)	(72,817)	(56,975)
Invested in capital assets							
Net decrease of mortgages payable and promissory notes	-	-	-	36,840	(36,840)	-	-
Net transfer from Fundraising Reserve and Capital Fund Reserve to Unrestricted (Note 11)	-	(15,197)	(16,403)	-	31,600	-	-
Net transfer from Unrestricted to Capital Reserve (Note 12)	291	-	-	-	(291)	-	-
Balance , end of year	\$ 48,404	\$ 8,136	\$ 13,435	\$ 39,310	\$ (18,608)	\$ 90,677	\$ 163,494

Multifaith Housing Initiative Statement of Operations

For the year ended October 31 2014 2013

(With comparatives for the 10 months ended October 31, 2013)

Revenue

Rental (Schedule)	\$ 433,155	\$ 355,759
Appliance contribution	-	6,572
Brighter Tomorrow contribution	26,533	-
Clear Skies contribution	12,540	-
Summer student contribution	2,986	5,226
Trillium contribution	32,429	12,811
United Way contribution	1,845	1,018
Donations	20,902	14,672
Fundraising - Tulipathon	22,093	29,838
Interest	3,306	2,127
Principal membership	6,600	2,900
Property tax rebates	2,245	29,267
Other	889	1,715
	565,523	461,905

Expenses

Appliance	-	6,572
Bank charges	1,480	429
Brighter Tomorrow	26,533	-
Clear Skies	12,540	-
Consulting fees	200	40
Insurance	3,663	4,060
Management services	41,999	34,313
Marketing and communications	2,541	645
Miscellaneous	289	-
Office	22,573	19,902
Professional fees	33,351	25,769
Rental (Schedule)	317,713	299,090
Salaries and benefits	127,940	93,950
Tulipathon	2,078	-
	592,900	484,770

Deficiency of revenue over expenses before items below

(27,377) (22,865)

Amortization of RRAP loan (Note 8)

6,404 5,337

Amortization of tangible capital assets

(98,369) (78,218)

Amortization of deferred contributions related to tangible capital assets

46,525 38,771

Deficiency of revenue over expenses for the year

\$ (72,817) \$ (56,975)

Multifaith Housing Initiative Statement of Cash Flows

For the year ended October 31 2014 2013

(With comparatives for the 10 months ended October 31, 2013)

Cash flows from operating activities

Deficiency of revenue over expenses for the year	\$ (72,817)	\$ (56,975)
Adjustments for		
Amortization of tangible capital assets	98,369	78,218
Amortization of deferred contributions	(46,525)	(38,771)
Amortization of RRAP loan	(6,404)	(5,337)
	(27,377)	(22,865)
Changes in non-cash working capital items		
Accounts receivables	(38,949)	4,824
Prepaid expenses	(3,977)	1,504
Accounts payable and accrued liabilities	15,509	(17,840)
Deferred contributions	(14,278)	47,842
Deferred contributions for capital fund	164,162	134,187
	95,090	147,652

Cash flows from investing activities

Additions to tangible capital assets	(334,271)	-
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Cash flows from financing activities

Addition to long-term mortgage interest payable	5,186	6,223
Promissory notes principal repayments	(5,000)	(5,000)
Addition to mortgages payable	1,485,000	-
Mortgage financing and transaction fees	(15,699)	-
Mortgage additions (principal repayments)	(1,285,581)	(36,426)
	183,906	(35,203)

Increase (decrease) in cash during the year (55,275) 112,449

Cash, beginning of year 372,225 259,776

Cash, end of year \$ 316,950 \$ 372,225

Multifaith Housing Initiative Summary of Significant Accounting Policies

October 31, 2014

Nature of Organization 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 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.

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, 2014

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.
Revenue Recognition	<p>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.</p> <p>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.</p>

Multifaith Housing Initiative Summary of Significant Accounting Policies

October 31, 2014

Revenue Recognition
(continued)

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, 2014

(With comparatives for the 10 months ended October 31, 2013)

1. Cash

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

2. Accounts Receivable

	2014		2013	
Tenant receivables	\$	678	\$	1,317
HST receivable		59,105		19,707
Grants receivable		1,040		850
	\$	60,823	\$	21,874

3. Tangible Capital Assets

	2014			2013		
	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	60,725	199,525	260,250	54,219	206,031
Somerset Gardens	1,570,286	249,580	1,320,706	1,570,286	210,323	1,359,963
Blake House						
Land	540,296	-	540,296	540,296	-	540,296
Building	1,650,864	260,328	1,390,536	1,650,864	218,729	1,432,135
Unit conversions	273,101	32,279	240,822	273,101	25,451	247,650
Renovations	334,271	4,179	330,092	-	-	-
	\$ 4,715,818	\$ 607,091	\$ 4,108,727	\$ 4,381,547	\$ 508,722	\$ 3,872,825

4. Accounts Payable and Accrued Liabilities

	2014		2013	
Trade payables	\$	30,531	\$	20,214
Advance RGI subsidies		15,962		13,606
Government remittances payable		2,537		2,344
Accrued interest on mortgage		8,170		7,632
Blake last months rent		6,726		4,621
	\$	63,926	\$	48,417

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2014

(With comparatives for the 10 months ended October 31, 2013)

5. 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:

	2014	2013
Balance, beginning of year	\$ 56,342	\$ 8,500
Add: Contributions received during the year	57,225	54,414
Less: Contributions recognized as revenue for the year	(71,503)	(6,572)
Balance, end of year	\$ 42,064	\$ 56,342

6. Deferred Contributions for Capital Fund

Deferred contributions for capital fund represents externally restricted funding to be spent in a subsequent years towards the development of new rental properties. Changes in the deferred contributions for capital fund balance is as follows:

	2014	2013
Balance, beginning of year	\$ 134,187	\$ -
Add: Contributions received during the year	164,162	134,187
Balance, end of year	\$ 298,349	\$ 134,187

During the year, the board of directors approved to borrow approximately \$104,000 of these funds to pay off the mortgage on the Kent Street Property.

7. Promissory Notes Payable

	2014	2013
Notes payable	\$ 462,000	\$ 467,000
Less: Current portion	(155,000)	(45,000)
	\$ 307,000	\$ 422,000

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 January 2015 to August 2019.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2014

(With comparatives for the 10 months ended October 31, 2013)

7. **Promissory Notes Payable** (continued)

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

2015	\$	155,000
2016		23,000
2017		169,000
2018		70,000
2019		45,000
		45,000
	\$	462,000

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.

	2014	2013
Balance, beginning of year	\$ 20,281	\$ 25,618
Principal forgiven during the year	(6,404)	(5,337)
	\$ 13,877	\$ 20,281

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2014

(With comparatives for the 10 months ended October 31, 2013)

9. Mortgages Payable

	2014	2013
Mortgage payable, 4.33%, net of amortized refinancing fees of \$15,176, repayable in blended monthly instalments of \$7,375, secured by Blake Boulevard property, due April 15, 2044.	\$ 1,457,615	\$ -
Mortgage payable, 6.25%, repayable in blended monthly instalments of \$2,147, due December 1, 2018, secured by Somerset Gardens properties.	321,994	327,698
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	36,301	31,115
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
Mortgage payable, 4.75%, repayable in blended monthly instalments of \$1,000, due March 5, 2014, secured by Kent Street property.	-	105,890
	1,929,056	1,740,150
Less: Current portion	30,768	1,273,895
	\$ 1,898,288	\$ 466,255

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

2015	\$ 30,768
2016	32,267
2017	33,840
2018	35,491
2019	324,782
Thereafter	1,471,908
	\$ 1,929,056

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2014

(With comparatives for the 10 months ended October 31, 2013)

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:

	2014	2013
Beginning balance	\$ 1,642,477	\$ 1,681,248
Less: Amounts amortized to revenue	(46,525)	(38,771)
Ending balance	\$ 1,595,952	\$ 1,642,477

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. Fundraising Reserve

During the year, the Board of Directors approved a transfer of \$16,403 from Capital Fund Reserves to Fundraising Reserve. The Board of Directors also approved to transfers \$31,600 from the fundraising reserve to Unrestricted Net Assets to cover salaries related to fundraising.

12. Capital Reserve

	2014				2013	
	Kent	Somerset	Blake	Other	Total	Total
Balance , beginning of period	\$ 896	\$ 15,044	\$ 14,111	\$ 18,062	\$ 48,113	\$ 67,012
Transfer from unrestricted net assets						
Appropriation for the period	2,400	3,200	13,300	809	19,709	42,055
Expenditures for the period	(1,490)	(1,013)	(16,915)	-	(19,418)	(60,954)
	910	2,187	(3,615)	809	291	(18,899)
Balance , end of period	\$ 1,806	\$ 17,231	\$ 10,496	\$ 18,871	\$ 48,404	\$ 48,113

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2014

(With comparatives for the 10 months ended October 31, 2013)

13. Commitments

The organization is committed to an office lease with minimum lease payments of \$4,769 and property management services of \$29,772 for 2015.

Subsequent to the year end, the organization was awarded a multi-million dollar project from the City of Ottawa to develop 98 affordable housing units. The project is expected to start in the fall of 2015 and will be financed by government contributions, mortgages and fundraising.

14. 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, 2014. 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 2 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 year ended October 31

2014

2013

(With comparatives for the 10 months ended October 31, 2013)

	Kent Street	Somerset Gardens	Blake Boulevard	Total	Kent Street	Somerset Gardens	Blake Boulevard	Total
Revenue								
Gross rents	\$ 43,536	\$ 83,692	\$ 191,682	\$ 318,910	\$ 35,293	\$ 67,655	\$ 158,311	\$ 261,259
Rent subsidies	7,584	19,187	143,552	170,323	7,017	13,045	113,339	133,401
Less internal subsidies	(12,828)	(17,993)	(28,727)	(59,548)	(11,214)	(12,990)	(17,830)	(42,034)
Less vacancy losses	-	-	(1,819)	(1,819)	-	-	(4,440)	(4,440)
	38,292	84,886	304,688	427,866	31,096	67,710	249,380	348,186
Parking	-	-	2,100	2,100	-	-	1,586	1,586
Laundry	346	-	2,843	3,189	235	-	5,752	5,987
	38,638	84,886	309,631	433,155	31,331	67,710	256,718	355,759
Expenses								
Bad debt	-	-	3,360	3,360	-	-	12,225	12,225
Condo fees	-	40,181	-	40,181	-	31,485	-	31,485
Insurance	843	1,012	2,844	4,699	687	710	2,478	3,875
Interest on promissory notes	1,344	2,952	10,754	15,050	969	2,094	7,938	11,001
Mortgage interest	2,611	25,216	65,319	93,146	3,801	23,177	54,792	81,770
Municipal taxes	410	6,299	3,400	10,109	342	6,191	2,870	9,403
Repairs and maintenance	13,610	4,908	89,222	107,740	23,244	2,232	85,912	111,388
Superintendent	-	-	8,753	8,753	-	-	7,866	7,866
Utilities	3,526	-	31,149	34,675	3,227	300	26,550	30,077
	22,344	80,568	214,801	317,713	32,270	66,189	200,631	299,090
Net rental income (loss)	\$ 16,294	\$ 4,318	\$ 94,830	\$ 115,442	\$ (939)	\$ 1,521	\$ 56,087	\$ 56,669