

Multifaith Housing Initiative



Financial Statements

For the year ended October 31, 2017



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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, 2017 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 audits. We conducted our audits 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 is sufficient and appropriate to provide a basis of our qualified audit opinion.



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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, 2016 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, 2017 and 2016, assets as at October 31, 2017 and 2016, and net assets at both the beginning and end of the October 31, 2017 and 2016 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, 2017, and the results of its 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 23, 2018

Ottawa, Ontario

**Multifaith Housing Initiative
Statement of Financial Position**

October 31			2017	2016
	General Fund	Capital Asset Fund	Total	Total
Assets				
Current				
Cash (Note 1)	\$ 122,415	\$ 48,154	\$ 170,569	\$ 1,103,314
Accounts receivable (Note 2)	35,048	318,846	353,894	279,018
Prepaid expenses	11,295	-	11,295	8,215
	168,758	367,000	535,758	1,390,547
Assets under construction (Note 3)	-	225,931	225,931	11,798,568
Tangible capital assets (Note 4)	-	24,903,222	24,903,222	6,277,197
	\$ 168,758	\$25,496,153	\$25,664,911	19,466,312

Multifaith Housing Initiative Statement of Financial Position

October 31 2017 2016

	General Fund	Capital Asset Fund	Total	Total
Liabilities and Net Assets				
Current				
Bank indebtedness	\$ -	\$ 27,589	\$ 27,589	\$ -
Accounts payable and accrued liabilities (Note 5)	223,064	281,846	504,910	2,172,061
Deferred contributions (Note 6)	-	-	-	259
Deferred contributions for capital projects (Note 7)	419,382	-	419,382	1,161,694
Current portion of promissory notes payable (Note 8)	-	40,000	40,000	89,000
Current portion of long-term debt (Note 11)	-	163,120	163,120	2,234,973
Interfund (receivable)/payable (Note 9)	(883,078)	883,078	-	-
	(240,632)	1,395,633	1,155,001	5,657,987
Promissory notes payable (Note 8)	-	321,000	321,000	321,000
CMHC RRAP loan (Note 10)	-	-	-	1,069
Mortgages payable (Note 11)	41,365	9,157,158	9,198,523	1,542,011
Deferred contributions related to assets under construction	-	-	-	7,630,347
Deferred contributions related to capital assets (Note 12)	-	12,207,843	12,207,843	1,502,902
Deferred contributions related to mortgage repayment (Note 13)	418,702	-	418,702	455,111
	219,435	23,081,634	23,301,069	17,110,427
Fund Balances				
Capital reserves (Note 14)	-	48,154	48,154	21,837
Internally restricted for capital fund reserve	9,244	-	9,244	9,244
Internally restricted for invested in tangible capital assets (Note 14)	-	2,366,365	2,366,365	2,448,462
Unrestricted deficit	(59,921)	-	(59,921)	(123,658)
	(50,677)	2,414,519	2,363,842	2,355,885
	\$ 168,758	\$25,496,153	\$25,664,911	\$19,466,312

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 Deficit	Total 2017	Total 2016	2017	2016	
	Fundraising Reserve	Capital Fund Reserve	Community Engagement						
Balance , beginning of year	\$ -	\$ 9,244	\$ -	\$ (123,658)	\$ (114,414)	\$ (69,110)	\$ 2,470,299	\$ 2,507,138	
Excess (deficiency) of revenue over expenses for the year	-	-	-	185,647	185,647	11,237	(177,690)	(93,380)	
Invested in capital assets									
Net Increase (decrease) of mortgages payable and promissory notes	-	-	-	(76,503)	(76,503)	(31,340)	76,503	31,340	
Additions to capital assets	-	-	-	-	-	(6,301)	-	6,301	
Net transfer from Unrestricted to Capital Reserve (Note 14)	-	-	-	(45,407)	(45,407)	(18,900)	45,407	18,900	
Balance , end of year	\$ -	\$ 9,244	\$ -	\$ (59,921)	\$ (50,677)	\$ (114,414)	\$ 2,414,519	\$ 2,470,299	

Multifaith Housing Initiative Statement of Operations

For the year ended October 31

	General Fund				Capital Asset Fund				
	Unrestricted	Fundraising Fund	Community Engagement	Total 2017	Total 2016	Invested in Capital Assets	Capital Reserve	Total 2017	Total 2016
Revenue									
Rental operations (Schedule)	\$ 907,868	\$ -	\$ -	\$ 907,868	\$ 446,328	\$ -	\$ -	\$ -	\$ -
Other contributions	3,895	-	-	3,895	-	-	-	-	-
Donations and fundraising (Note 15)	29,702	92,400	32,017	154,119	140,995	-	-	-	-
Interest	4,522	-	-	4,522	7,442	-	564	564	600
Principal membership	6,051	-	-	6,051	7,501	-	-	-	-
Amortization of deferred contributions related to mortgage repayment	36,409	-	-	36,409	48,770	-	-	-	-
	988,447	92,400	32,017	1,112,864	651,036	-	564	564	600
Expenses									
Capital reserve	-	-	-	-	-	-	19,654	19,654	37,326
Insurance	4,317	639	-	4,956	5,124	-	-	-	-
Management services	-	-	-	-	43,360	-	-	-	-
Marketing and communications	1,878	-	-	1,878	998	-	-	-	-
Donations and fundraising	2,787	10,314	-	13,101	12,244	-	-	-	-
Office	29,938	4,433	-	34,371	30,505	-	-	-	-
Professional fees	24,404	3,614	-	28,018	28,577	-	-	-	-
Rental operations (Schedule)	633,625	-	-	633,625	333,909	-	-	-	-
Salaries and benefits	106,920	73,400	32,017	212,337	191,486	-	-	-	-
	803,869	92,400	32,017	928,286	646,203	-	19,654	19,654	37,326
Excess of revenue over expenses before items below	184,578	-	-	184,578	4,833	-	(19,090)	(19,090)	(36,726)
Amortization of RRAP loan (Note 10)	1,069	-	-	1,069	6,404	-	-	-	-
Amortization of tangible capital assets	-	-	-	-	-	(341,219)	-	(341,219)	(103,179)
Amortization of deferred contributions related to tangible capital assets	-	-	-	-	-	182,619	-	182,619	46,525
Excess (deficiency) of revenue over expenses for the year	\$ 185,647	\$ -	\$ -	\$ 185,647	\$ 11,237	\$ (158,600)	\$ (19,090)	\$ (177,690)	\$ (93,380)

Multifaith Housing Initiative Statement of Cash Flows

For the year ended October 31	2017	2016
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year		
General fund	\$ 185,647	\$ 11,237
Capital asset fund	(177,690)	(93,380)
Adjustments for		
Amortization of tangible capital assets	341,219	103,179
Amortization of deferred contributions related to tangible capital assets	(182,619)	(46,525)
Amortization of RRAP loan	(1,069)	(6,404)
Amortization of deferred contributions related to mortgage repayment	(36,409)	(48,770)
	<u>129,079</u>	(80,663)
Changes in non-cash working capital items		
Accounts receivables	(74,876)	402,313
Prepaid expenses	(3,080)	(1,727)
Accounts payable and accrued liabilities	(1,667,151)	1,873,491
Deferred contributions	(259)	-
Deferred contributions for capital projects	(742,312)	497,438
	<u>(2,358,599)</u>	2,690,852
Cash flows from investing activities		
Additions to tangible capital assets	(18,967,244)	(6,301)
Assets under construction	11,572,637	(10,655,967)
	<u>(7,394,607)</u>	(10,662,268)
Cash flows from financing activities		
Additions to deferred contributions	3,257,213	6,612,992
Addition to long-term mortgage interest payable	6,223	6,223
Additions to promissory notes payable	-	38,000
Promissory notes principal repayments	(49,000)	(5,000)
Addition to mortgages payable	5,605,415	2,207,994
Mortgage principal repayments	(26,979)	(341,743)
	<u>8,792,872</u>	8,518,466
Increase (decrease) in cash during the year	(960,334)	547,047
Cash and equivalents, beginning of year	1,103,314	556,267
Cash and equivalents, end of year	\$ 142,980	\$ 1,103,314
Represented by		
Cash	\$ 170,569	\$ 1,103,314
Bank indebtedness	(27,589)	-
	<u>\$ 142,980</u>	<u>\$ 1,103,314</u>

Multifaith Housing Initiative Summary of Significant Accounting Policies

October 31, 2017

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.
Basis of Presentation	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.
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><i>Measurement of Financial Instruments</i></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, 2017

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, 2017

**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 Havens 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**

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, 2017

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 \$27,589 at October 31, 2017.

2. Accounts Receivable

	General Fund	Capital Asset Fund	2017	2016
Tenant receivables	\$ 11,115	\$ -	\$ 11,115	\$ 18,373
HST receivable	11,252	-	11,252	260,645
City of Ottawa	12,681	318,846	331,527	-
	\$ 35,048	\$ 318,846	\$ 353,894	\$ 279,018

3. Assets Under Construction

Assets under construction consists of one project:

\$225,931 (2016 - \$72,827) 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 \$8,764,000.

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

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2017

4. Tangible Capital Assets

	2017						2016	
	Accumulated		Net Book	Cost	Accumulated		Net Book	
	Cost	Amortization	Value		Cost	Amortization	Value	
Kent House								
Land	\$ 86,750	\$ -	\$ 86,750	\$ 86,750	\$ -	\$ -	\$ 86,750	\$ 86,750
Building	260,250	80,244	180,006	260,250	73,738	-	186,512	186,512
Somerset Gardens Condominiums	1,570,286	367,352	1,202,934	1,570,286	328,095	-	1,242,191	1,242,191
Blake House								
Land	540,296	-	540,296	540,296	-	-	540,296	540,296
Building	1,650,864	384,143	1,266,721	1,650,864	342,871	-	1,307,993	1,307,993
Unit conversions	273,101	52,761	220,340	273,101	45,934	-	227,167	227,167
Renovations	334,271	29,249	305,022	334,271	20,892	-	313,379	313,379
The Havens								
Land	2,364,440	-	2,364,440	2,364,440	-	-	2,364,440	2,364,440
Building	18,958,708	236,984	18,721,724	-	-	-	-	-
Furniture	8,536	427	8,109	-	-	-	-	-
Office equipment	3,292	823	2,469	3,292	494	-	2,798	2,798
Leasehold improvements	6,301	1,890	4,411	6,301	630	-	5,671	5,671
	\$ 26,057,095	\$ 1,153,873	\$ 24,903,222	\$ 7,089,851	\$ 812,654	\$ -	\$ 6,277,197	\$ 6,277,197

Additions to The Havens building includes capitalized loan interest of approximately \$28,000.

5. Accounts Payable and Accrued Liabilities

	General Fund		Capital Asset Fund		2017		2016	
	Cost	Amortization	Cost	Amortization	Cost	Amortization	Cost	Amortization
Trade payables	\$ 98,396	-	\$ 134,605	-	\$ 233,001	-	\$ 2,141,304	-
Advance								
Municipal subsidies	20,054	-	-	-	20,054	-	14,483	-
Government remittances payable	13,293	-	-	-	13,293	-	3,184	-
HST payable	-	-	147,241	-	147,241	-	-	-
Accrued mortgage interest	6,229	-	-	-	6,229	-	6,328	-
Last months rent	85,092	-	-	-	85,092	-	6,762	-
	\$ 223,064	\$ -	\$ 281,846	\$ -	\$ 504,910	\$ -	\$ 2,172,061	\$ -

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2017

6. 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:

	2017	2016
Balance, beginning of year	\$ 259	\$ 259
Less: Contributions recognized as revenue for the year	(259)	-
Balance, end of year	\$ -	\$ 259

7. 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:

	2017	2016
Balance, beginning of year	\$ 1,161,694	\$ 664,256
Add: Contributions received during the year	350,088	592,106
Less: Contributions recognized as revenue for the year	(92,400)	(94,668)
Transfer to deferred contributions related to capital assets	(1,000,000)	-
Balance, end of year	\$ 419,382	\$ 1,161,694

8. Promissory Notes Payable

	2017	2016
Notes payable	\$ 361,000	\$ 410,000
Less: Current portion	(40,000)	(89,000)
	\$ 321,000	\$ 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 November 2017 to October 2022.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2017

8. Promissory Notes Payable (continued)

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

2018	\$	40,000
2019		115,000
2020		115,000
2021		51,000
2022		40,000
		40,000
	\$	361,000

9. Interfund Receivable/Payable

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

	2017
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	226,178
Net contributions towards payment for assets under construction - The Havens	237,438
	\$ 883,078

10. 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.

	2017	2016
Balance, beginning of year	\$ 1,069	\$ 7,473
Principal forgiven during the year	(1,069)	(6,404)
	\$ -	\$ 1,069

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2017

11. Mortgages Payable

	2017	2016
Mortgage payable, Infrastructure Ontario, 4.33%, net of amortized refinancing fees of \$13,606, repayable in blended monthly instalments of \$7,375, secured by Blake Boulevard property with net book value of \$2,332,379, general security agreement and assignment of rents and rent supplement agreements, due April 15, 2044.	\$ 1,380,118	\$ 1,407,097
Mortgage payable, City of Ottawa and private lender, 5.5%, secured by Somerset Gardens properties with net book value of \$1,202,934, principal and interest due when properties are sold.		
Principal	113,146	113,146
Accumulated accrued interest payable	54,970	48,747
Construction loan payable, Infrastructure Ontario, floating interest rate as determined by Infrastructures Ontario, interest only payable monthly, conversion to term loan required by September 2017, secured by the Havens property with net book value of \$21,086,164, 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 Havens project.	7,813,409	2,207,994
	9,361,643	3,776,984
Less: Current portion	163,120	2,234,973
	\$ 9,198,523	\$ 1,542,011

In addition, the organization is required by Infrastructure Ontario to maintain a debt service coverage ratio of 1.15. As at October 31, 2017, the organization has met the financial covenant.

Subsequent to the year end, the organization converted the Infrastructures Ontario construction loan into a mortgage loan bearing interest at 3.6%, repayable in blended monthly principal and interest payments of \$35,666 and maturing in November 2047.

Subsequent to the year end, the organization secured an additional term loan in the amount of \$250,000 bearing interest at 3.69%, repayable in blended monthly principal and interest payments of \$1,149 and maturing in February 2048.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2017

11. Mortgages Payable (continued)

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

2017	\$	163,120
2018		181,815
2019		188,715
2020		195,877
2021		203,314
Thereafter		<u>8,428,802</u>
	\$	<u>9,361,643</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>2017</u>	<u>2016</u>
Beginning balance	\$ 1,502,902	\$ 1,549,427
Add: Contributions related to capital assets	10,887,560	-
Less: Amounts amortized to revenue	<u>(182,619)</u>	<u>(46,525)</u>
Ending balance	<u>\$ 12,207,843</u>	<u>\$ 1,502,902</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, 2017, the estimated unforgiven amount is \$504,000.

Contributions related to capital assets for the year of \$10,887,560 includes \$7,630,347 recorded at October 31, 2016 as "Deferred contribution related to assets under construction" and includes \$1,000,000 transferred from "Deferred contributions for Capital Fund" (note 7). This contribution relates to the construction of The Havens project and includes \$9,887,560 contributed by

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2017

12. Deferred Contributions Related to Capital Assets (continued)

Provincial and Municipal government sources, who has recorded a mortgage on the property. As long as The Havens continues to provide affordable housing units for 35 years (until 2052), then the amount will be forgiven at that time.

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:

	2017	2016
Beginning balance	\$ 455,111	\$ 503,881
Less: Amounts amortized to revenue	(36,409)	(48,770)
Ending balance	\$ 418,702	\$ 455,111

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, 2017, the estimated unforgiven amount is \$436,000.

14. Capital Asset Fund

Capital Reserves

	2017				2016	
	Kent	Somerset	Blake	Haven	Total	Total
Balance, beginning of year	\$ -	\$ 21,837	\$ -	\$ -	\$ 21,837	\$ 39,663
Deficiency of revenue over expenses for the year	(2,400)	(3,390)	(13,300)	-	(19,090)	(36,726)
Transfer from Unrestricted General Fund Appropriation for the period	2,400	3,200	13,300	26,507	45,407	18,900
	-	(190)	-	26,507	26,317	(17,826)
Balance, end of year	\$ -	\$ 21,647	\$ -	\$ 26,507	\$ 48,154	\$ 21,837

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2017

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

Invested in Tangible Capital Assets

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 2,448,462	\$ 2,467,475
Deficiency of revenue over expenses for the year	(158,600)	(56,654)
Net decrease of mortgages payable and promissory notes	76,503	31,340
Additions to capital assets	-	6,301
	<u> </u>	<u> </u>
Balance, end of year	<u>\$ 2,366,365</u>	<u>\$ 2,448,462</u>

15. **Donations and Fundraising Revenue**

	<u>2017</u>	<u>2016</u>
Donations	\$ 124,805	\$ 113,300
Tulipathon	29,314	27,695
	<u> </u>	<u> </u>
	<u>\$ 154,119</u>	<u>\$ 140,995</u>

16. **Commitments**

The organization is committed to an office lease with minimum lease payments of \$5,924 and property management services of \$121,400 for 2018.

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, 2017. 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

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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, 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
Condo 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 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	\$ (10,135)	\$ 7,317	\$ 35,190	\$ 85,287	\$ 117,659

Multifaith Housing Initiative
Schedule of Rental Operations (continued)

For the year ended October 31, 2016

	Kent Street	Somerset Gardens	Blake Boulevard	Total
Revenue				
Gross rents	\$ 47,444	\$ 69,617	\$ 224,823	\$ 341,884
Rent subsidies	3,317	41,409	120,738	165,464
Less internal subsidies	(10,872)	(9,702)	(36,608)	(57,182)
Less vacancy losses	-	-	(8,831)	(8,831)
	39,889	101,324	300,122	441,335
Parking and laundry	291	-	4,702	4,993
	40,180	101,324	304,824	446,328
Expenses				
Bad debt	115	-	10,982	11,097
Condo fees	-	37,448	-	37,448
Insurance	1,000	900	3,100	5,000
Interest on promissory notes	3,438	5,097	3,440	11,975
Legal	-	-	9,299	9,299
Mortgage interest	-	60,075	62,589	122,664
Municipal taxes	410	6,915	3,340	10,665
Repairs and maintenance	18,589	4,251	58,902	81,742
Superintendent	-	-	1,979	1,979
Utilities	5,845	133	36,062	42,040
	29,397	114,819	189,693	333,909
Net rental income before amortization	10,783	(13,495)	115,131	112,419
Less amortization of tangible capital assets net of amortization of related deferred contributions related to rental operations	6,506	16,757	32,431	55,694
Net rental income	\$ 4,277	\$ (30,252)	\$ 82,700	\$ 56,725