

Multifaith Housing Initiative



Financial Statements

For the year ended October 31, 2016



Multifaith Housing Initiative
Financial Statements
For the year ended October 31, 2016

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

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, 2016 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 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, 2015 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, 2016 and 2015, assets as at October 31, 2016 and 2015, and net assets at both the beginning and end of the October 31, 2016 and 2015 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, 2016, 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 23, 2017
Ottawa, Ontario

**Multifaith Housing Initiative
Statement of Financial Position**

October 31			2016	2015
	General Fund	Capital Asset Fund	Total	Total
Assets				
Current				
Cash (Note 1)	\$ 1,081,477	\$ 21,837	\$ 1,103,314	\$ 556,267
Accounts receivable (Note 2)	24,022	254,996	279,018	681,333
Prepaid expenses	8,215	-	8,215	6,488
	1,113,714	276,833	1,390,547	1,244,088
Assets under construction (Note 3)	-	11,798,568	11,798,568	1,142,601
Tangible capital assets (Note 4)	-	6,277,197	6,277,197	6,374,075
	\$ 1,113,714	\$18,352,598	\$19,466,312	8,760,764

Multifaith Housing Initiative Statement of Financial Position

October 31 2016 2015

	General Fund	Capital Asset Fund	Total	Total
Liabilities and Net Assets				
Current				
Accounts payable and accrued liabilities (Note 5)	\$ 62,394	\$ 2,109,667	\$ 2,172,061	\$ 298,575
Deferred contributions (Note 6)	259	-	259	259
Deferred contributions for capital fund (Note 7)	1,161,694	-	1,161,694	664,256
Current portion of promissory notes payable (Note 8)	-	89,000	89,000	33,000
Current portion of long-term debt (Note 11)	-	2,234,973	2,234,973	32,267
Interfund (receivable)/payable (Note 9)	(487,017)	487,017	-	-
	737,330	4,920,657	5,657,987	1,028,357
Promissory notes payable (Note 8)	-	321,000	321,000	344,000
CMHC RRAP loan (Note 10)	1,069	-	1,069	7,473
Mortgages payable (Note 11)	34,618	1,507,393	1,542,011	1,872,243
Deferred contributions related to assets under construction (Note 3)	-	7,630,347	7,630,347	1,017,355
Deferred contributions related to capital assets (Note 12)	-	1,502,902	1,502,902	1,549,427
Deferred contributions related to mortgage repayment (Note 13)	455,111	-	455,111	503,881
	1,228,128	15,882,299	17,110,427	6,322,736
Fund Balances				
Capital reserves (Note 15)	-	21,837	21,837	39,663
Internally restricted for capital fund reserve	9,244	-	9,244	9,244
Internally restricted for invested in tangible capital assets (Note 15)	-	2,448,462	2,448,462	2,467,475
Unrestricted	(123,658)	-	(123,658)	(78,354)
	(114,414)	2,470,299	2,355,885	2,438,028
	\$ 1,113,714	\$18,352,598	\$19,466,312	\$ 8,760,764

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 15)			
	Internally Restricted				Unrestricted	Total 2016	Total 2015	2016	2015
	Fundraising Reserve	Capital Fund Reserve	Community Engagement						
Balance , beginning of year	\$ -	\$ 9,244	\$ -	\$ (78,354)	\$ (69,110)	\$ 2,963	\$ 2,507,138	\$ 87,714	
Excess (deficiency) of revenue over expenses for the year	-	-	(31,261)	42,498	11,237	66,411	(93,380)	(83,500)	
Invested in capital assets									
Net Increase (decrease) of mortgages payable and promissory notes	-	-	-	(31,340)	(31,340)	(116,292)	31,340	116,292	
Contribution of land	-	-	-	-	-	-	-	2,364,440	
Additions to capital assets	-	-	-	(6,301)	(6,301)	(3,292)	6,301	3,292	
Inter-fund transfers (Note 14)	-	-	31,261	(31,261)	-	-	-	-	
Net transfer from Unrestricted to Capital Reserve (Note 15)	-	-	-	(18,900)	(18,900)	(18,900)	18,900	18,900	
Balance , end of year	\$ -	\$ 9,244	\$ -	\$ (123,658)	\$ (114,414)	\$ (69,110)	\$ 2,470,299	\$ 2,507,138	

Multifaith Housing Initiative Statement of Operations

For the year ended October 31

	General Fund				Capital Asset Fund				
	Unrestricted	Fundraising Fund	Community Engagement	Total 2016	Total 2015	Invested in Capital Assets	Capital Reserve	Total 2016	Total 2015
Revenue									
Rental operations (Schedule)	\$ 446,328	\$ -	\$ -	\$ 446,328	\$ 438,065	\$ -	\$ -	\$ -	\$ -
Trillium contribution	-	-	-	-	31,260	-	-	-	-
Other contributions (Note 16)	-	-	-	-	39,338	-	-	-	-
Donations and fundraising (Note 17)	46,327	94,668	-	140,995	111,506	-	-	-	-
Interest	7,442	-	-	7,442	2,440	-	600	600	729
Principal membership	7,501	-	-	7,501	6,100	-	-	-	-
Amortization of deferred contributions related to mortgage repayment	48,770	-	-	48,770	18,204	-	-	-	-
Other	-	-	-	-	1,928	-	-	-	-
	556,368	94,668	-	651,036	648,841	-	600	600	729
Expenses									
Projects (Note 16)	-	-	-	-	39,338	-	-	-	-
Insurance	4,465	659	-	5,124	3,952	-	-	-	-
Management services	43,360	-	-	43,360	42,813	-	-	-	-
Marketing and communications	998	-	-	998	1,140	-	-	-	-
Donations and fundraising	463	11,781	-	12,244	37,744	-	-	-	-
Office	25,819	3,811	-	29,630	25,914	-	-	-	-
Professional fees	24,902	3,675	-	28,577	24,898	-	-	-	-
Rental operations (Schedule)	333,909	-	-	333,909	267,991	-	37,326	37,326	28,370
Salaries and benefits	86,358	74,742	31,261	192,361	145,044	-	-	-	-
	520,274	94,668	31,261	646,203	588,834	-	37,326	37,326	28,370
Excess of revenue over expenses before items below	36,094	-	(31,261)	4,833	60,007	-	(36,726)	(36,726)	(27,641)
Amortization of RRAP loan (Note 10)	6,404	-	-	6,404	6,404	-	-	-	-
Amortization of tangible capital assets	-	-	-	-	-	(103,179)	-	(103,179)	(102,384)
Amortization of deferred contributions related to tangible capital assets	-	-	-	-	-	46,525	-	46,525	46,525
Excess of revenue over expenses for the year	\$ 42,498	\$ -	\$ (31,261)	\$ 11,237	\$ 66,411	\$ (56,654)	\$ (36,726)	\$ (93,380)	\$ (83,500)

Multifaith Housing Initiative Statement of Cash Flows

For the year ended October 31	2016	2015
Cash flows from operating activities		
Excess of revenue over expenses for the year		
General fund	\$ 11,237	\$ 66,411
Capital asset fund	(93,380)	(83,500)
Adjustments for		
Amortization of tangible capital assets	103,179	102,384
Amortization of deferred contributions related to tangible capital assets	(46,525)	(46,525)
Amortization of RRAP loan	(6,404)	(6,404)
Amortization of deferred contributions related to mortgage repayment	(48,770)	(18,204)
	(80,663)	14,162
Changes in non-cash working capital items		
Accounts receivables	402,315	(620,510)
Prepaid expenses	(1,727)	2,913
Accounts payable and accrued liabilities	1,873,486	234,649
Deferred contributions	-	(41,805)
Deferred contributions for capital fund	497,438	295,907
	2,690,849	(114,684)
Cash flows from investing activities		
Additions to tangible capital assets	(6,301)	(36,732)
Assets under construction	(10,655,967)	(1,142,601)
	(10,662,268)	(1,179,333)
Cash flows from financing activities		
Additions to deferred contributions	6,612,992	1,539,440
Addition to long-term mortgage interest payable	6,223	6,223
Additions to promissory notes payable	38,000	5,000
Promissory notes principal repayments	(5,000)	(20,000)
Addition to mortgages payable	2,207,994	-
Mortgage principal repayments	(341,743)	(30,769)
Contributions to land	-	33,440
	8,518,466	1,533,334
Increase in cash during the year	547,047	239,317
Cash, beginning of year	556,267	316,950
Cash, end of year	\$ 1,103,314	\$ 556,267

Multifaith Housing Initiative Summary of Significant Accounting Policies

October 31, 2016

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 restricted fund 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, 2016

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. 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

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.

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

Multifaith Housing Initiative Summary of Significant Accounting Policies

October 31, 2016

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

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2016

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 \$nil at October 31, 2016.

2. Accounts Receivable

	General Fund	Capital Asset Fund	2016	2015
Tenant receivables	\$ 18,373	\$ -	\$ 18,373	\$ 16,781
HST receivable	5,649	254,996	260,645	137,626
Grants receivable	-	-	-	526,926
	\$ 24,022	\$ 254,996	\$ 279,018	\$ 681,333

3. Assets Under Construction

Assets under construction consists of two projects:

\$11,725,741 (2015 - \$1,142,601) are costs related to the construction of the Havens 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 (excluding contributed land of \$2,364,440 already recorded as tangible capital assets) is expected to be around \$19,300,000.

\$72,827 (2015 - \$nil) 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.

The organization has received to the end of the year externally restricted contributions of \$7,630,347 (2015 - \$1,017,355) towards the financing of the construction costs. These contributions will be transferred to deferred contributions related to capital assets and amortized once these assets are put into service.

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

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2016

4. Tangible Capital Assets

	2016			2015			
	Accumulated		Net Book	Cost	Accumulated		Net Book
	Cost	Amortization	Value		Cost	Amortization	Value
Kent House							
Land	\$ 86,750	\$ -	\$ 86,750	\$ 86,750	\$ -	\$ 86,750	
Building	260,250	73,738	186,512	260,250	67,231	193,019	
Somerset Gardens	1,570,286	328,095	1,242,191	1,570,286	288,838	1,281,448	
Blake House							
Land	540,296	-	540,296	540,296	-	540,296	
Building	1,650,864	342,871	1,307,993	1,650,864	301,600	1,349,264	
Unit conversions	273,101	45,934	227,167	273,101	39,106	233,995	
Renovations	334,271	20,892	313,379	334,271	12,535	321,736	
The Havens							
Land	2,364,440	-	2,364,440	2,364,440	-	2,364,440	
Office equipment	3,292	494	2,798	3,292	165	3,127	
Leasehold improvements	6,301	630	5,671	-	-	-	
	\$ 7,089,851	\$ 812,654	\$ 6,277,197	\$ 7,083,550	\$ 709,475	\$ 6,374,075	

5. Accounts Payable and Accrued Liabilities

	General Fund		Capital Asset Fund	
	2016	2015	2016	2015
Trade payables	\$ 31,637	\$ 269,730	\$ 2,141,304	\$ -
Advance RGI subsidies	14,483	14,851	-	-
Government remittances payable	3,184	-	3,184	-
Accrued mortgage interest	6,328	8,048	-	-
Last months rent	6,762	5,946	6,762	-
	\$ 62,394	\$ 298,575	\$ 2,172,061	\$ -

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2016

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:

	2016	2015
Balance, beginning of year	\$ 259	\$ 42,064
Add: Contributions received during the year	-	12,500
Less: Contributions recognized as revenue for the year	-	(51,063)
Repayment of contributions	-	(3,242)
	\$ 259	\$ 259

7. Deferred Contributions for Capital Fund

Deferred contributions for capital fund 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. Changes in the deferred contributions for capital fund balance is as follows:

	2016	2015
Balance, beginning of year	\$ 664,256	\$ 298,349
Add: Contributions received during the year	592,106	424,761
Less: Contributions recognized as revenue for the year	(94,668)	(58,854)
	\$ 1,161,694	\$ 664,256

8. Promissory Notes Payable

	2016	2015
Notes payable	\$ 410,000	\$ 377,000
Less: Current portion	(89,000)	(33,000)
	\$ 321,000	\$ 344,000

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 March 2017 to June 2021.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2016

8. Promissory Notes Payable (continued)

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

2017	\$	89,000
2018		80,000
2019		65,000
2020		125,000
2021		<u>51,000</u>
	\$	<u>410,000</u>

9. Interfund Receivable/Payable

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

	<u>2016</u>
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	<u>67,555</u>
	<u>\$ 487,017</u>

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.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 7,473	\$ 13,877
Principal forgiven during the year	<u>(6,404)</u>	<u>(6,404)</u>
Balance, end of year	<u>\$ 1,069</u>	<u>\$ 7,473</u>

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2016

11. Mortgages Payable

	2016	2015
Mortgage payable, Infrastructure Ontario, 4.33%, net of amortized refinancing fees of \$14,129, repayable in blended monthly instalments of \$7,375, secured by Blake Boulevard property with net book value of \$2,388,835, general security agreement and assignment of rents and rent supplement agreements, due April 15, 2044.	\$ 1,407,097	\$ 1,432,913
Mortgage payable, First National Financial, 6.25%, repayable in blended monthly instalments of \$2,147, due December 1, 2018, secured by Somerset Gardens properties with a net book value of \$1,242,191.	-	315,927
Mortgage payable, City of Ottawa and private lender, 5.5%, secured by Somerset Gardens properties with net book value of \$1,242,191, principal and interest due when properties are sold.		
Principal	113,146	113,146
Accumulated accrued interest payable	48,747	42,524
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 \$11,725,741, 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.	2,207,994	-
	3,776,984	1,904,510
Less: Current portion	2,234,973	32,267
	\$ 1,542,011	\$ 1,872,243

In addition, the organization is required by Infrastructure Ontario to maintain a debt service coverage ratio of 1.15. As at October 31, 2016, the organization has met the financial covenant.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2016

11. Mortgages Payable (continued)

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

2017	\$	2,234,973
2018		28,194
2019		29,463
2020		30,787
2021		32,170
Thereafter		<u>1,421,397</u>
	\$	<u>3,776,984</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>2016</u>	<u>2015</u>
Beginning balance	\$ 1,549,427	\$ 1,595,952
Less: Amounts amortized to revenue	<u>(46,525)</u>	<u>(46,525)</u>
Ending balance	<u>\$ 1,502,902</u>	<u>\$ 1,549,427</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, 2016, the estimated unforgiven amount is \$546,000.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2016

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:

	2016	2015
Beginning balance	\$ 503,881	\$ 522,085
Less: Amounts amortized to revenue	(48,770)	(18,204)
Ending balance	\$ 455,111	\$ 503,881

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, 2016, the estimated unforgiven amount is \$472,500.

14. Inter-fund Transfers

During the year, the Board of Directors approved a transfer of \$31,261 from Unrestricted net assets to Community Engagement Fund.

15. Capital Asset Fund

Capital Reserves

	2016				2015	
	Kent	Somerset	Blake	Other	Total	Total
Balance, beginning of year	\$ -	\$ 18,637	\$ 3,417	\$ 17,609	\$ 39,663	\$ 48,404
Deficiency of revenue over expenses for the year	(2,400)	-	(16,717)	(17,609)	(36,726)	(27,641)
Transfer from unrestricted General Fund Appropriation for the period	2,400	3,200	13,300	-	18,900	18,900
	-	3,200	(3,417)	(17,609)	(17,826)	(8,741)
Balance, end of year	\$ -	\$ 21,837	\$ -	\$ -	\$ 21,837	\$ 39,663

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2016

15. Capital Asset Fund (continued)

Invested in Capital Assets

	2016	2015
Balance, beginning of year	\$ 2,467,475	\$ 39,310
Deficiency of revenue over expenses for the year	(56,654)	(55,859)
Net decrease of mortgages payable and promissory notes	31,340	116,292
Contribution of land	-	2,364,440
Additions to capital assets	6,301	3,292
Balance, end of year	\$ 2,448,462	\$ 2,467,475

16. Other Contributions and Projects Expense

	2016		2015	
	Revenue	Expense	Revenue	Expense
Brighter Tomorrow	\$ -	\$ -	\$ 17,134	\$ 17,134
Clear Skies	-	-	21,463	21,463
Children's Library	-	-	741	741
	\$ -	\$ -	\$ 39,338	\$ 39,338

17. Donations and Fundraising Revenue

	2016	2015
Donations	\$ 113,300	\$ 83,940
Tulipathon	27,695	27,566
	\$ 140,995	\$ 111,506

18. Commitments

The organization is committed to an office lease with minimum lease payments of \$5,695 and property management services of \$27,248 for 2017.

Multifaith Housing Initiative Notes to Financial Statements

October 31, 2016

19. 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, 2016. 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.

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 fixed and floating interest rate mortgages and loans payable.

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

2016

2015

	Kent Street	Somerset Gardens	Blake Boulevard	Total	Kent Street	Somerset Gardens	Blake Boulevard	Total
Revenue								
Gross rents	\$ 47,444	\$ 69,617	\$ 224,823	\$ 341,884	\$ 44,104	\$ 72,928	\$ 212,334	\$ 329,366
Rent subsidies	3,317	41,409	120,738	165,464	7,724	31,336	126,492	165,552
Less internal subsidies	(10,872)	(9,702)	(36,608)	(57,182)	(12,105)	(11,803)	(34,636)	(58,544)
Less vacancy losses	-	-	(8,831)	(8,831)	(77)	(187)	(1,164)	(1,428)
	39,889	101,324	300,122	441,335	39,646	92,274	303,026	434,946
Parking	50	-	2,700	2,750	-	-	800	800
Laundry	241	-	2,002	2,243	300	-	2,019	2,319
	40,180	101,324	304,824	446,328	39,946	92,274	305,845	438,065
Expenses								
Bad debt	115	-	10,982	11,097	-	-	-	-
Condo fees	-	37,448	-	37,448	-	37,363	-	37,363
Insurance	1,000	900	3,100	5,000	919	1,091	3,114	5,124
Interest on promissory notes	3,438	5,097	3,440	11,975	1,363	3,149	10,961	15,473
Legal	-	-	9,299	9,299	-	-	-	-
Mortgage interest	-	60,075	62,589	122,664	-	25,890	63,184	89,074
Municipal taxes	410	6,915	3,340	10,665	410	6,194	3,362	9,966
Repairs and maintenance	18,589	4,251	58,902	81,742	8,549	8,761	50,857	68,167
Superintendent	-	-	1,979	1,979	-	-	2,760	2,760
Utilities	5,845	133	36,062	42,040	2,527	-	37,537	40,064
	29,397	114,819	189,693	333,909	13,768	82,448	171,775	267,991
Net rental income	\$ 10,783	\$ (13,495)	\$ 115,131	\$ 112,419	\$ 26,178	\$ 9,826	\$ 134,070	\$ 170,074
Capital reserve expense	\$ 5,701	\$ -	\$ 31,625	\$ 37,326	\$ 6,197	\$ 1,794	\$ 20,379	\$ 28,370